Angeles Corral v. Commissioner, 12 T.C. 1033 (1949)

A purchaser of property cannot deduct property taxes paid if those taxes were a lien on the property before the purchase, as such payments are considered part of the purchase price, not a tax paid by the purchaser.

Summary

In *Angeles Corral v. Commissioner*, the Tax Court addressed whether a partnership could deduct real and personal property taxes it paid on a hotel after purchasing it. The court held that the taxes were not deductible because they were a lien on the property before the partnership acquired it. Under Florida law, where the hotel was located, property taxes became a lien on January 1, before the partnership's February purchase. The court reasoned that the partnership's payment of these taxes discharged a pre-existing encumbrance, effectively increasing the purchase price, and thus could not be deducted as a tax paid by the partnership. The ruling emphasized that the existence of a pre-existing tax lien or personal liability on the vendor's part prevents a subsequent purchaser from deducting such tax payments.

Facts

In February 1946, the partnership

