Gregory v. Helvering, 293 U.S. 465 (1935)</p>

A transaction that adheres to the literal requirements of the tax code but lacks a genuine business purpose beyond tax avoidance will not be recognized for tax purposes.

Summary</p>

The case involves a taxpayer who formed a wholly-owned corporation to transfer shares of stock to her, then immediately liquidated the new corporation to distribute the shares to herself, all to avoid paying taxes. The Supreme Court held that this transaction, while technically complying with the tax code's literal requirements, lacked a legitimate business purpose and was merely a scheme to avoid taxes. Therefore, the transaction was disregarded for tax purposes, and the taxpayer was taxed as if she had directly received the distributed shares. The court emphasized that the substance of the transaction, not its form, determines its tax consequences.

Facts</p>

Mrs. Gregory owned shares in the United Mortgage Corporation. She wished to transfer these shares to herself without incurring tax liability. She formed a new corporation, the Averill Corporation, to receive the United Mortgage shares. The Averill Corporation received the shares and then was immediately liquidated, distributing the United Mortgage shares to Mrs. Gregory. The entire process occurred within a few days. The taxpayer claimed this reorganization was tax-free under the relevant provisions of the tax law.

Procedural History</p>

The Commissioner of Internal Revenue determined a deficiency in Mrs. Gregory's taxes, arguing that the transaction was a taxable dividend. The Board of Tax Appeals (now the Tax Court) affirmed the Commissioner's decision. The Second Circuit Court of Appeals reversed, holding the transaction was tax-free. The Supreme Court then granted certiorari.

Issue(s)</p>

1. Whether a corporate reorganization, which literally complies with the tax law's requirements, is tax-free when it serves no business purpose other than tax avoidance.

1. No, because a transaction that adheres to the letter of the tax law but lacks a legitimate business purpose is not a reorganization within the meaning of the statute.

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The Supreme Court, in an opinion by Justice Sutherland, focused on the intent and purpose of the tax law, specifically the reorganization provisions. The Court found that the reorganization provisions were intended to facilitate legitimate business adjustments, not to be used as a device for tax avoidance. The Court acknowledged that the transaction technically complied with the statute, but the transaction was not a

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