W.A. Rife v. Commissioner, 31 T.C. 1113 (1959)

A partner's share of a partnership's Section 117(j) loss, from the sale of depreciable assets used in the trade or business, is offset against the individual capital gains of the taxpayer-partner.

Summary

The case concerns the treatment of a partner's share of a partnership's Section 117(j) loss, which involves depreciable assets used in the trade or business, and how it interacts with the partner's individual gains. The central question is whether the partner's individual gains can be offset by the partnership's losses. The court ruled that a partner's share of the partnership's loss must be offset against the individual capital gains disclosed by the joint return. This decision clarifies the interplay between partnership and individual tax liabilities under Section 117(j) of the Internal Revenue Code of 1939, establishing that gains and losses from both the partnership and individual levels should be considered when computing taxable income.

Facts

W.A. Rife and his wife filed a joint tax return for 1949. W.A. Rife was a member of a partnership that incurred losses from the sale of depreciable assets used in its business. Rife's share of these losses was $3,257.81. The partnership had deducted the full amount of these losses on its 1949 tax return. Individually, W.A. Rife realized a net gain of $8,586.87 in 1949 from the sale of capital assets and/or depreciable assets used in his trade or business.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in the Rifes' income tax for 1949. The Commissioner held that Rife's share of the partnership's Section 117(j) loss had to be offset against his individual capital gains, leading to a dispute. The case was brought before the United States Tax Court to resolve this issue. The Tax Court considered the issue based on a stipulation of facts agreed upon by the parties.

Issue(s)

Whether a partner's share of a partnership's section 117 (j) loss from the sale of depreciable assets used in its trade or business is to be offset by the individual capital gains of the taxpayer-partner?

Holding

Yes, because Section 117(j) does not restrict its computation to the

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