25 T.C. 215 (1955)

Interest on a purchase money mortgage received by a corporation from the sale of a single piece of real estate does not constitute “rents” under the Internal Revenue Code of 1939, section 502(g), even if the corporation’s stated business purpose includes dealing in real estate, if the real estate was not held primarily for sale to customers in the ordinary course of its business.

Summary

The United States Tax Court addressed whether interest received by the Kent Industrial Corporation from a purchase money mortgage qualified as “rents” under Section 502(g) of the Internal Revenue Code of 1939, thus affecting its classification as a personal holding company. The corporation was formed to acquire and sell real estate. It purchased a property, obtained tenants for the building, and then sold the property, taking back a purchase money mortgage. The court held that the interest received on the mortgage did not constitute

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