Elmer Irvin Trust v. Commissioner, 29 T.C. 854 (1958)

A trust can be classified as an association taxable as a corporation if it is organized to conduct business and has characteristics that resemble a corporation, such as centralized management, limited liability, and transferable interests.

Summary

The Elmer Irvin Trust was created to manage property and conduct business activities. The IRS determined that the trust should be taxed as a corporation. The Tax Court agreed, finding the trust's structure and activities closely resembled a corporation. The trust's instrument, prepared by a "National Pure Trust Service," provided for centralized management, transferable certificates of interest, limited liability, and the conduct of a wide range of business activities. The court emphasized that the trust's primary purpose was to engage in business, and it possessed corporate-like characteristics. Therefore, the court concluded that the trust qualified as an association taxable as a corporation under the Internal Revenue Code.

Facts

Elmer Irvin created the Elmer Irvin Trust, with trustees including himself and his children. The trust instrument, a pre-prepared form, authorized a wide array of business activities. Elmer Irvin conveyed property, primarily farmland and rental properties, to the trust. The trust issued certificates of interest, and the instrument provided for limited liability for trustees and beneficiaries. Elmer Irvin, as the general manager, ran the business of the trust. The trust's income came primarily from rental payments, distributed to Elmer Irvin. The IRS determined that the trust was an association taxable as a corporation, resulting in a tax deficiency.

Procedural History

The IRS determined a tax deficiency against the Elmer Irvin Trust, treating it as a corporation. The trust challenged this determination in the U.S. Tax Court, arguing that it should be taxed as a trust, not a corporation. The Tax Court sided with the IRS, upholding the tax deficiency.

Issue(s)

1. Whether the Elmer Irvin Trust, during the taxable year 1951, was an association taxable as a corporation.

Holding

1. Yes, because the trust was organized for business purposes and possessed characteristics similar to a corporation, thus qualifying as an association taxable as a corporation.

Court’s Reasoning

The court applied the statutory definition of

