Canton v. Commissioner of Internal Revenue, 26 T.C. 936 (1956)

Whether a seller of real estate is selling to “customers in the ordinary course of business” depends on the nature and scope of their sales activities, not simply the number or type of buyers. Restricting sales to certain types of buyers does not preclude a finding that sales were to customers in the ordinary course of business.

Summary

The Canton Company, which had acquired large tracts of land, claimed that profits from the sale of real estate were capital gains, not ordinary income, because they were not sales to customers in the ordinary course of its business. The company argued that its land sales were a passive liquidation of investments and that purchasers of industrial sites were not

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