South Jersey Sand Co. v. Commissioner, 30 T.C. 370 (1958)

The court must determine the ordinary and commercial meaning of statutory terms, giving weight to industry usage and legislative history, to classify mined materials for tax depletion allowances.

Summary

The South Jersey Sand Company sought a 15% depletion allowance, claiming it mined “quartzite.” The Commissioner of Internal Revenue argued it was “sand,” subject to a 5% allowance. The Tax Court sided with the Commissioner, focusing on the common commercial understanding of the terms. The court examined industry testimony before Congress, dictionaries, and the company’s own actions to conclude that the material extracted was sand, regardless of its chemical composition or end-use in glass manufacturing. This case highlights the importance of understanding statutory language in its practical context, particularly when determining tax liabilities based on industry-specific classifications.

Facts

South Jersey Sand Company mined sand from land it owned and leased. The company’s process involved dredging, screening, washing, and storing the sand. The primary customer was Pennsylvania Glass Sand Corporation (P.G.S.) for the manufacture of glass. The company’s sand, primarily silicon dioxide, had the crystallographic structure of quartz but was mined from unconsolidated deposits. The company claimed a 15% depletion allowance for “quartzite.” The IRS asserted a 5% allowance for “sand.” The sales were primarily to P.G.S. for glass manufacturing. Additional sales were made to customers for foundry, building, and golf course purposes. The company’s sand was suitable for glass manufacture.

Procedural History

The Commissioner determined deficiencies in the company’s income tax for 1951, 1952, and 1953, based on the lower 5% depletion allowance for

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