30 T.C. 731 (1958)

The rental and management of an apartment building constitutes a trade or business, even when managed by an agent, and a loss from nationalization of such property by a foreign government can result in a net operating loss carryover for tax purposes.

Summary

Peter Elek, a U.S. citizen who formerly resided in Hungary, owned an apartment building in Budapest which was nationalized by the Hungarian government in 1952. The U.S. Tax Court addressed whether Elek's rental of the property constituted a trade or business, entitling him to a net operating loss carryover to 1953 and 1954. The court held that managing the rental property, both directly and through an agent, qualified as a trade or business. Consequently, Elek was allowed to claim a net operating loss deduction resulting from the nationalization.

Facts

Peter Elek, a Hungarian national, purchased an apartment building in Budapest in 1942. He managed the property until 1948, when he left Hungary and appointed his father as his agent to manage the building. In 1952, the Hungarian government nationalized the property. Elek, now a U.S. citizen, claimed a net operating loss carryover to 1953 and 1954 due to the nationalization. The Commissioner of Internal Revenue disputed this claim, arguing Elek did not sustain a net operating loss.

Procedural History

Elek filed amended tax returns claiming the loss, which was initially allowed by the District Director for 1952 but later challenged by the Commissioner. The Commissioner determined deficiencies in Elek's income tax for 1953 and 1954, disallowing the net operating loss carryover. Elek then brought the case to the U.S. Tax Court.

Issue(s)

1. Whether Elek's ownership and management of the rental property constituted a

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