31 T.C. 91 (1958)

For purposes of calculating tax relief under Section 1301 of the Internal Revenue Code, “an employment” means an arrangement or a series of arrangements to effect a particular result, not a set of unrelated services.

Summary

The case involved Frank S. Ranz, a sales representative, who sought to calculate his 1954 income tax liability using Section 1301 of the 1954 Internal Revenue Code, which provided tax relief for income earned from an “employment” spanning over 36 months. Ranz earned substantial commissions from selling machine tools to Ford Motor Company. The Tax Court addressed whether these commissions qualified under Section 1301. The court held that the commissions did not stem from a qualifying “employment” because the arrangement with the Rehnberg-Jacobson Manufacturing Company was for general sales representation, not a specific project to effect a particular result, as required by the statute. Therefore, Ranz was denied the special tax treatment.

Facts

Frank Ranz, a sales representative, had an informal agreement with Rehnberg-Jacobson Manufacturing Company to sell its machine tools on commission. Ranz then contacted Ford’s Automatic Transmission Division. Following his efforts, Ford placed thirteen orders in 1953 for machine tools. Ranz serviced these orders until shipment and payment, receiving commissions in 1954. Ranz’s contract with Rehnberg was terminated in 1956. The commissions from the Ford orders constituted over 80% of Ranz’s total compensation from Rehnberg.

Procedural History

The Commissioner of Internal Revenue determined deficiencies in Ranz’s income tax for 1952, 1953, and 1954. Ranz challenged the determination, specifically the denial of tax relief under Section 1301 of the 1954 Internal Revenue Code. The case was heard before the United States Tax Court.

Issue(s)

Whether the commissions received by Ranz from the sale of machine tools to Ford Motor Company were from “an employment” as defined by Section 1301 of the Internal Revenue Code of 1954.

Holding

No, because Ranz’s agreement with Rehnberg-Jacobson did not constitute “an employment” within the meaning of Section 1301.

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Court’s Reasoning

The court examined whether the commissions received by Ranz qualified for tax relief under Section 1301. The court noted that Section 1301(a) required “an employment” as defined in subsection (b) which states: “an arrangement or series of arrangements for the performance of personal services by an individual or partnership to effect a particular result, regardless of the number of sources from which compensation therefor is obtained.” The court held that Ranz was not employed for a “particular result” but as a general sales representative. The court cited the Senate Committee’s report on the term “an employment” to clarify this point, stating that the tax relief provided must relate to “a particular project on which the taxpayer worked, such as a particular law case, and not to a set of unrelated services which the taxpayer may have performed for the same person.” The court emphasized that Ranz’s employment contract did not specify any particular project, but rather permitted him to sell Rehnberg machine tools to any customer. The court thus concluded that the commissions did not stem from

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