31 T.C. 549 (1958)

When property is involuntarily converted under threat of condemnation, and a lump-sum payment is received, the entire amount is considered payment for the property unless the agreement explicitly allocates portions to other items like loss of business.

Summary

In Kendall v. Commissioner, the U.S. Tax Court addressed whether a portion of a lump-sum payment received for property taken under threat of condemnation should be taxed as compensation for anticipated loss of business. The IRS argued that a part of the payment was for loss of business. The Court held that since the agreement between the property owners and the state did not allocate any part of the payment to business losses, and the final agreement was a lump-sum transaction, the entire payment qualified as proceeds from an involuntary conversion. The Kendalls had reinvested the proceeds in similar property, a new restaurant. Therefore, they were not required to report any gain on their income taxes for that year. The court emphasized that in the absence of an explicit allocation, the entire amount received was for the property itself.

Facts

Claude B. Kendall owned and operated the

