Skilken v. Commissioner, 50 T. C. 902 (1968)

Losses from terminated oral location agreements cannot be deducted under IRC §165 as they are part of goodwill and not separate assets.

Summary

Skilken v. Commissioner involved a partnership, Acme-Miami, that purchased several vending machine businesses and allocated part of the purchase price to oral location agreements. These agreements were terminable at will. The partnership sought to deduct the allocated amounts as losses under IRC §165 when the agreements were terminated. The Tax Court held that these agreements were akin to goodwill and not separately deductible assets, disallowing the deductions. The court reasoned that such agreements were not depreciable and that their termination did not constitute a loss under the tax code.

Facts

Acme-Miami Vending Service, a partnership, acquired the assets of seven competitor vending machine businesses in 1962. The total purchase price exceeded the fair market value of tangible assets by $377,716. 30, which Acme-Miami allocated to

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