***Segura v. Commissioner, 77 T. C. 734 (1981)***

A shareholder who receives an unlawful dividend from an insolvent corporation can be held liable as a transferee for the corporation's unpaid taxes up to the amount of the dividend.

**Summary**

In Segura v. Commissioner, the Tax Court addressed the transferee liability of Perry Segura and Perry Segura, Inc. for the unpaid income taxes of Perry Segura & Associates, Inc. (Associates). Associates, while insolvent, paid Segura a dividend by canceling his debt, which was deemed an unlawful distribution under Louisiana law. The court held that this constituted a transfer sufficient to make Segura liable as a transferee for Associates' tax deficiencies. However, the court found insufficient evidence that Associates transferred any assets to Perry Segura, Inc. , thus ruling in favor of the corporation. The decision emphasizes that a reduction in corporate assets, even through debt cancellation, can trigger transferee liability for shareholders.

**Facts**

Perry Segura formed Perry Segura & Associates, Inc. (Associates) in 1960 to operate his architectural practice. Associates became insolvent by September 30, 1971. In 1972, Segura decided to cease active operations of Associates and proposed transferring its assets to himself. A dividend of $107,459. 58 was paid to Segura by canceling a debt he owed Associates, which he reported on his 1972 tax return. Associates also had an asset, Camp-Cypremort Point, which was legally titled to Perry Segura, Inc. , but treated as an asset of Associates on its books and records.

**Procedural History**

The Commissioner of Internal Revenue determined deficiencies in Associates' federal income taxes for the fiscal years ending September 30, 1970, and September 30, 1971. These deficiencies were upheld by a final decision of the Tax Court on November 4, 1977. Subsequently, the Commissioner sent notices of deficiency to Perry Segura and Perry Segura, Inc. , asserting transferee liability for Associates' unpaid taxes. The cases were consolidated and heard by the Tax Court, resulting in the decision under review.

**Issue(s)**

1. Whether Perry Segura is liable as a transferee within the meaning of section 6901 of the Internal Revenue Code for the unpaid tax liabilities of Associates based on the dividend he received in 1972.
2. Whether Perry Segura, Inc. , is liable as a transferee within the meaning of section 6901 of the Internal Revenue Code for the unpaid tax liabilities of Associates based on the alleged transfer of Camp-Cypremort Point.

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## Holding

1. Yes, because the dividend received by Segura, which was an unlawful distribution from an insolvent corporation, constituted a transfer of property sufficient to make him liable as a transferee under Louisiana law.
2. No, because the Commissioner failed to prove that Associates transferred Camp-Cypremort Point to Perry Segura, Inc. , beyond bare legal title.

## Court’s Reasoning

The court applied Louisiana law, which holds that a shareholder receiving an unlawful dividend is liable to the corporation’s creditors up to the amount received. The court found that Associates was insolvent at the time of the dividend payment, making it unlawful under Louisiana Revised Statutes Annotated section 12:93D. The court rejected Segura’s argument that the dividend was merely a book entry, emphasizing that it represented an actual reduction in Associates’ assets. The court distinguished prior cases like Whitney v. Commissioner and Steinle v. Commissioner, which dealt with mere book entries without actual transfers of value. Regarding Perry Segura, Inc. , the court found insufficient evidence that it received anything beyond bare legal title to Camp-Cypremort Point, thus ruling in its favor.

## Practical Implications

This decision clarifies that shareholders can be held liable for corporate tax deficiencies when receiving unlawful dividends, even if those dividends are in the form of debt cancellation. It underscores the importance of understanding state laws regarding corporate distributions and insolvency. For legal practitioners, this case highlights the need to carefully document corporate transactions and consider the potential for transferee liability when advising clients on corporate restructurings or dissolutions. The decision also impacts how similar cases involving asset transfers and corporate insolvency should be analyzed, emphasizing the need for clear evidence of actual asset transfers. Subsequent cases have cited Segura in discussions of transferee liability, particularly in the context of unlawful dividends.

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