Goodson-Todman Enterprises, Ltd. v. Commissioner, 84 T. C. 255 (1985)

Game shows can be eligible for investment tax credits if their market is not primarily topical or transitory in nature.

Summary

Goodson-Todman Enterprises, Ltd. , the producer of the game show "To Tell the Truth," sought investment tax credits for production costs. The Commissioner disallowed these credits, asserting that game shows were ineligible. The Tax Court ruled in favor of Goodson-Todman, holding that their tapes qualified as "qualified films" under IRC § 48(k)(1)(B) because they were created for public entertainment and did not have a primarily topical or transitory market. The court rejected the Commissioner's blanket rule against game shows and focused on the actual market dynamics of the show, which demonstrated sustained audience appeal.

Facts

Goodson-Todman Enterprises, Ltd. , produced the game show "To Tell the Truth" (TTTT) for syndication. The show featured contestants, including a "real person" and two imposters, along with celebrity panelists who attempted to identify the real person through questioning. TTTT was taped in advance and distributed to various stations across the U. S. , with episodes often rerun. The company claimed investment tax credits for the costs incurred in producing these tapes, but the Commissioner disallowed the credits, asserting that game shows were not eligible under IRC § 48(k)(1)(B).

Procedural History

The Commissioner issued a notice of deficiency for the taxable years ending March 31, 1973, 1974, and 1977, disallowing the claimed investment tax credits. Goodson-Todman Enterprises, Ltd. , petitioned the U. S. Tax Court, challenging the Commissioner's disallowance. The Tax Court heard the case and issued a decision in favor of the petitioners.

Issue(s)

1. Whether the videotaped television series "To Tell the Truth" constitutes a "qualified film" under IRC § 48(k)(1)(B), which is defined as a film or tape created primarily for public entertainment and not having a primarily topical or transitory market.

Holding

1. Yes, because the TTTT tapes were created for public entertainment and the market for these tapes was not primarily topical or transitory in nature.

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Court’s Reasoning

The court analyzed whether TTTT tapes qualified as “qualified films” under IRC § 48(k)(1)(B). It rejected the Commissioner’s interpretation of the regulation that game shows were automatically ineligible for the credit. The court focused on the statutory language and legislative intent, which aimed to encourage domestic employment in the entertainment industry. The court found that TTTT tapes presented durable human interest stories, not events or personalities of current interest, and thus did not have a primarily topical or transitory market. The court also noted that the tapes were prepared for syndication, with episodes rerun over an extended period, indicating a market that was not of brief duration. The court emphasized the substantial creative effort and production process involved in creating TTTT, aligning with the statutory purpose of promoting employment in the entertainment sector.

Practical Implications

This decision clarifies that the eligibility of game shows for investment tax credits should be assessed based on their actual market dynamics rather than a categorical exclusion. Legal practitioners should analyze the content and market appeal of entertainment productions to determine their eligibility for tax credits. The ruling encourages investment in the production of game shows by affirming that they can qualify for tax benefits if they maintain sustained audience appeal. This decision may influence future cases involving similar tax credit claims for entertainment productions, prompting a more nuanced approach to assessing eligibility based on market characteristics rather than genre classification.

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