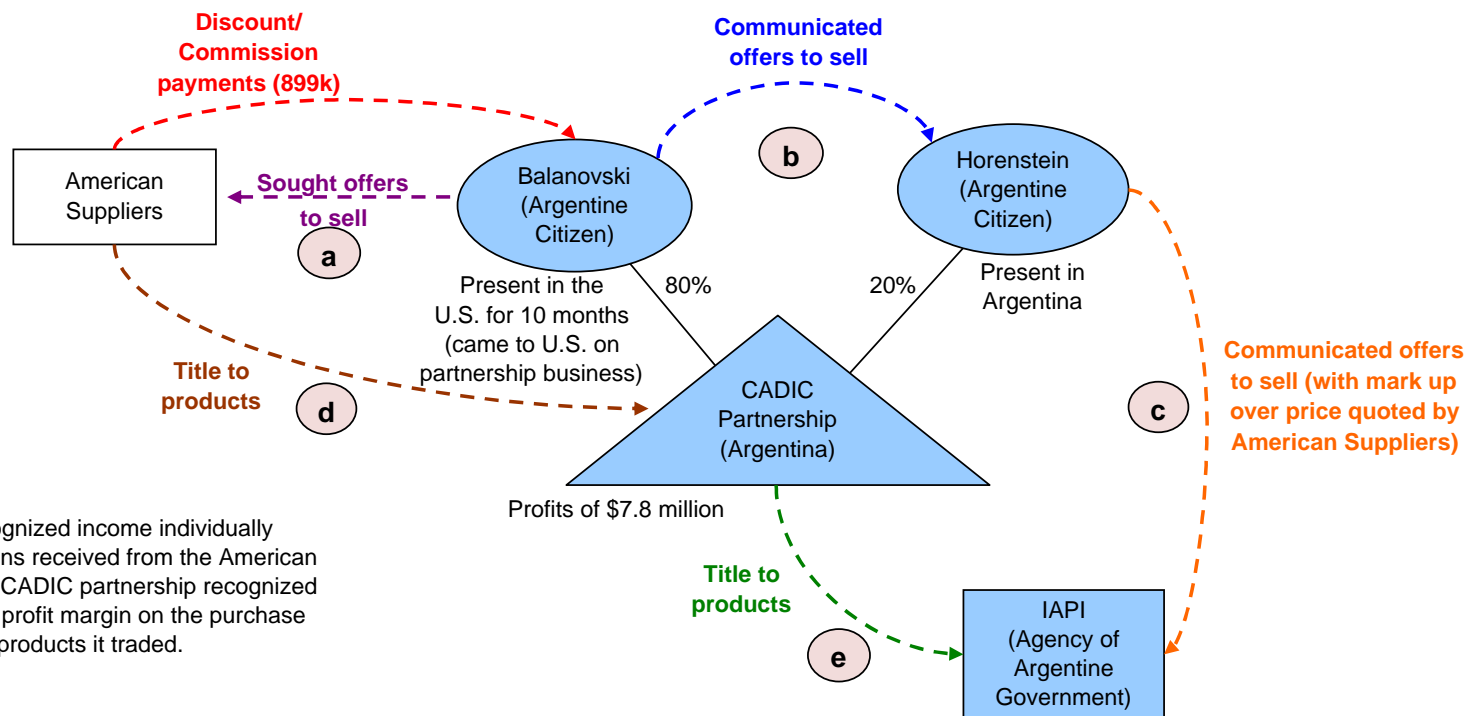


U.S. v. Balanovski
236 F.2d 298 (2d Cir. 1956)

**Argentine Partnership Engaged
 in U.S. Trade or Business**

Copyright © 2007 Andrew Mitchel LLC
 International Tax Services
www.andrewmitchel.com



Balanovski recognized income individually from commissions received from the American Suppliers. The CADIC partnership recognized income from its profit margin on the purchase and sale of the products it traded.

Balanovski's activities on behalf of CADIC in the United States were numerous and varied and required the exercise of initiative, judgment, and executive responsibility. They far transcended the routine or merely clerical. He conferred and bargained with American bankers. He inspected goods and made trips out of New York State in order to buy and inspect the equipment in which he was trading. He made sure the goods were placed in warehouses and aboard ship. He tried to insure that CADIC would not repeat the errors in supplying inferior equipment that had been made by some of its competitors. And while in the U.S. he attempted to develop other business for CADIC.

The Second Circuit held that the partnership was engaged in business in the United States and that therefore the two co-partners were taxable for their share of its profits from sources within the United States. CADIC was actively and extensively engaged in business in the United States in 1947. Its 80% partner, Balanovski, under whose hat 80% of the business may be thought to reside, was in this country soliciting orders, inspecting merchandise, making purchases, and completing sales. While maintaining regular contact with his home office, he was obviously making important business decisions. He maintained a bank account here for partnership funds. He operated from a New York office through which a major portion of CADIC's business was transacted. Acting for CADIC he engaged in numerous transactions wherein he both purchased and sold goods in this country, earned his profits here, and participated in other activities pertaining to the transaction of business. Goods are deemed "sold" within the statutory meaning when the seller performs the last act demanded of him to transfer ownership, and title passes to the buyer.

[HUNDREDS of additional charts at www.andrewmitchel.com](http://www.andrewmitchel.com)