

**Commissioner v. Court Holding
324 U.S. 331 (1945)**

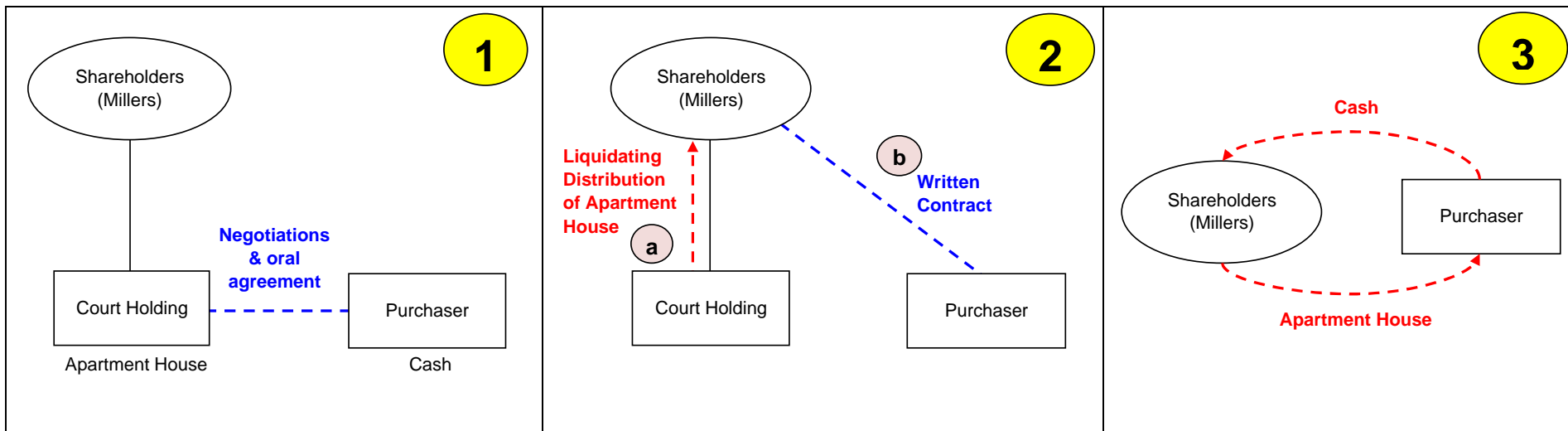
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Conduit Seller

Initial Structure / Negotiations

Liquidation

Sale by Shareholder



Excerpt from Basic Incorporated, 549 F.2d 740 (Ct.Cl. 1977):

Court Holding Co. . . . wherein it was held that the gain from a sale which had been embarked upon by the corporation could not be avoided by an abrupt liquidation which left the shareholders to then carry on with the transaction which the corporation had started. As the Court there explained it, "[a] sale by one person cannot be transformed for tax purposes into a sale by another by using the latter as a conduit through which to pass title."

At the time of this case, the liquidation of Court Holding was tax free at the corporate level under the General Utilities doctrine. Therefore, the intent of the liquidation/sale was to avoid corporate level tax and only be subject to shareholder level tax. Today, with the repeal of the General Utilities doctrine, this strategy would no longer work.

The Tax Court held that Court Holding was the seller. The Fifth Circuit reversed, holding that the shareholder was the seller. The Supreme Court reversed the Fifth Circuit holding that Court Holding was the seller.

Ending Point

