

Turnbow v. Commissioner
368 U.S. 337 (1961)

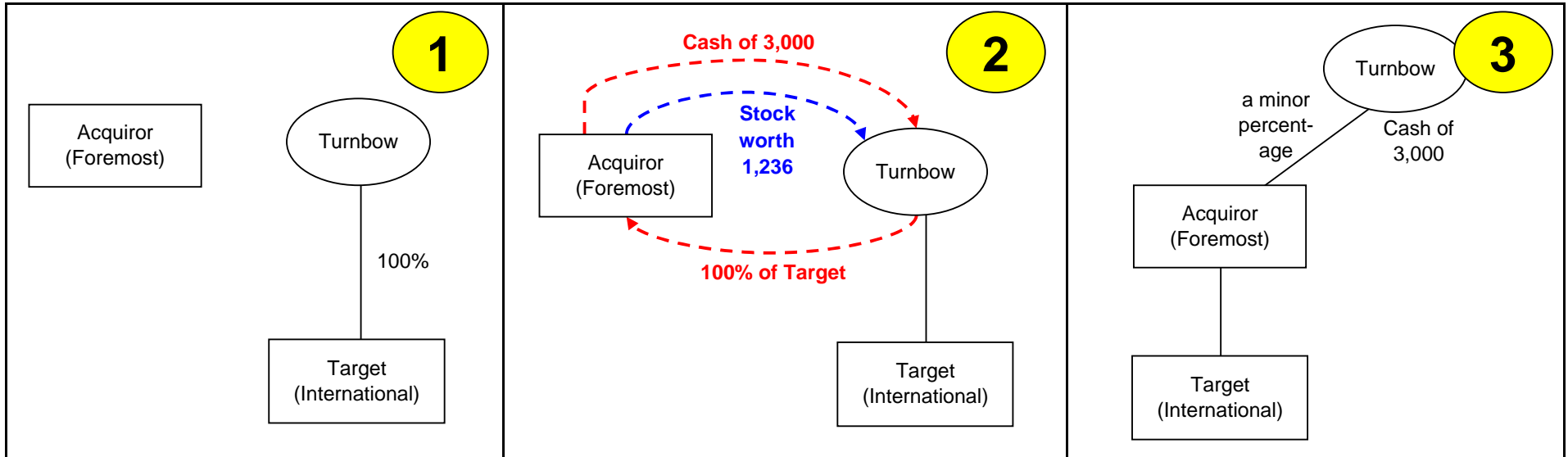
**If No Tax Free Reorganization
Exists, Then Full Gain Is
Recognized in the Exchange**

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Initial Structure

Stock for Cash & Stock

Ending Point



The issue in the case was whether, in the absence of a B reorganization, gain on the exchange of stock for cash & stock is to be recognized in full or is to be recognized only to the extent of the cash. There was no dispute that the transaction was **not** a reorganization.

Turnbow contended that the predecessor to section 356(a) allowed partial nonrecognition (to the extent of the stock received), even though there was no reorganization. The Supreme Court rejected Turnbow's assertion of a hypothetical reorganization, stating that "an actual 'reorganization' . . . must exist before [section 356(a)] can apply".