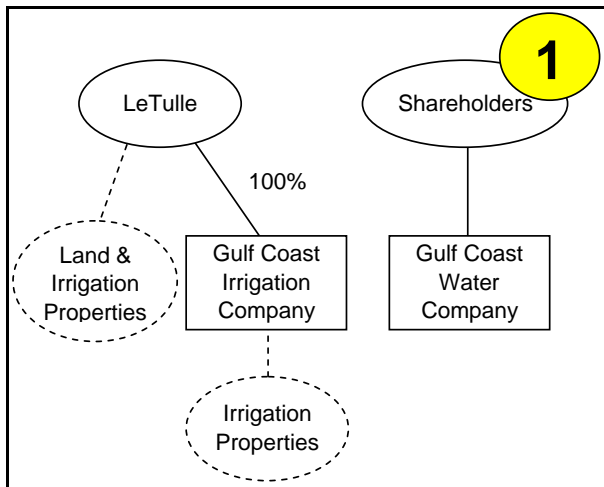


**LeTulle v. Scofield
308 U.S. 415 (1940)**

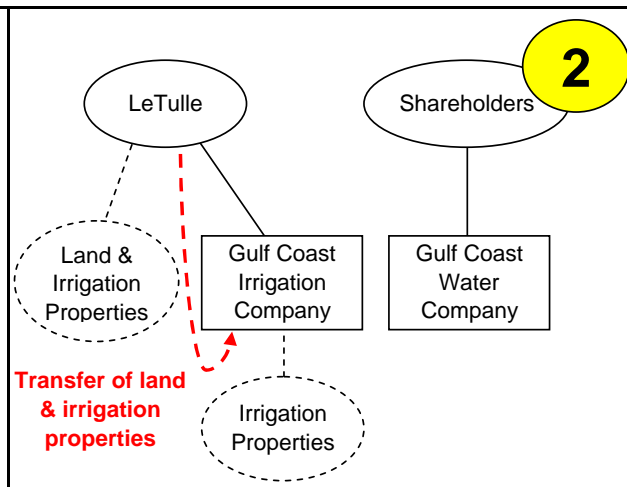
**No Continuity of Interest With
Only the Receipt of Cash & Bonds**

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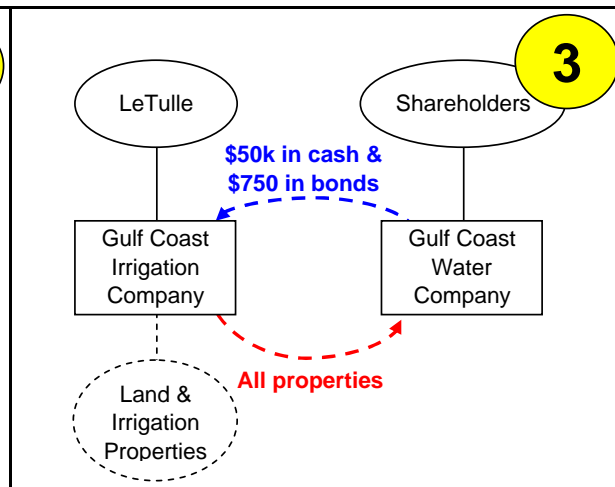
Initial Structure



Contribution

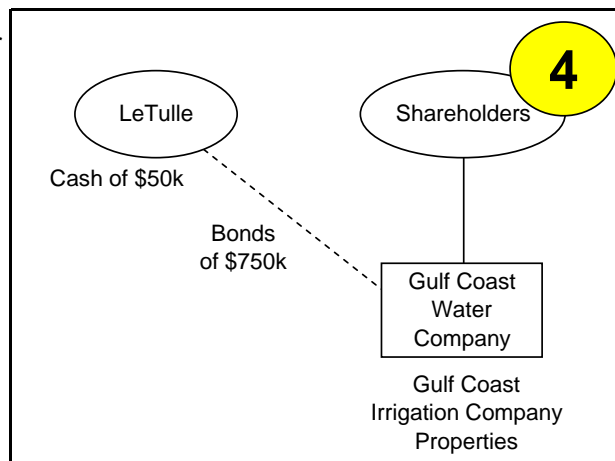


"Reorganization"



The Gulf Coast Irrigation Company ("GCIC") was the owner of irrigation properties. LeTulle was its sole stockholder. He personally owned certain lands and other irrigation properties. On November 4, 1931, GCIC, the Gulf Coast Water Company, and LeTulle, entered into an agreement which recited that LeTulle owned all of the stock of GCIC; described the company's properties, and stated that, prior to conveyance to be made pursuant to the contract, GCIC would be the owner of certain other lands and irrigation properties. These other lands and properties were those which LeTulle individually owned. The contract called for a conveyance of all the properties owned, and to be owned, by GCIC for \$50,000 in cash and \$750,000 in bonds of the Water Company, payable serially over the period January 1, 1933, to January 1, 1944.

Ending Point



The reorganization section is not to be read literally, as denominating the transfer of all the assets of one company for what amounts to a cash consideration given by the other a reorganization. The Supreme Court had previously held that where the consideration consists of cash and short term notes the transfer does not amount to a reorganization within the true meaning of the statute, but is a sale upon which gain or loss must be reckoned. *Pinellas Ice*, 287 U.S. 462. The court had also held that the statute was not satisfied unless the transferor retained a substantial stake in the enterprise and such a stake was thought to be retained where a large proportion of the consideration was in common stock of the transferee (*Minnesota Tea*, 296 U.S. 378), or where the transferor took cash and the entire issue of preferred stock of the transferee corporation, *Helvering v. Nelson*, 296 U.S. 374. The term of the obligations is not material. Where the consideration is wholly in the transferee's bonds, or part cash and part such bonds, it cannot be said that the transferor retains any proprietary interest in the enterprise. On the contrary, he becomes a creditor of the transferee.