

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

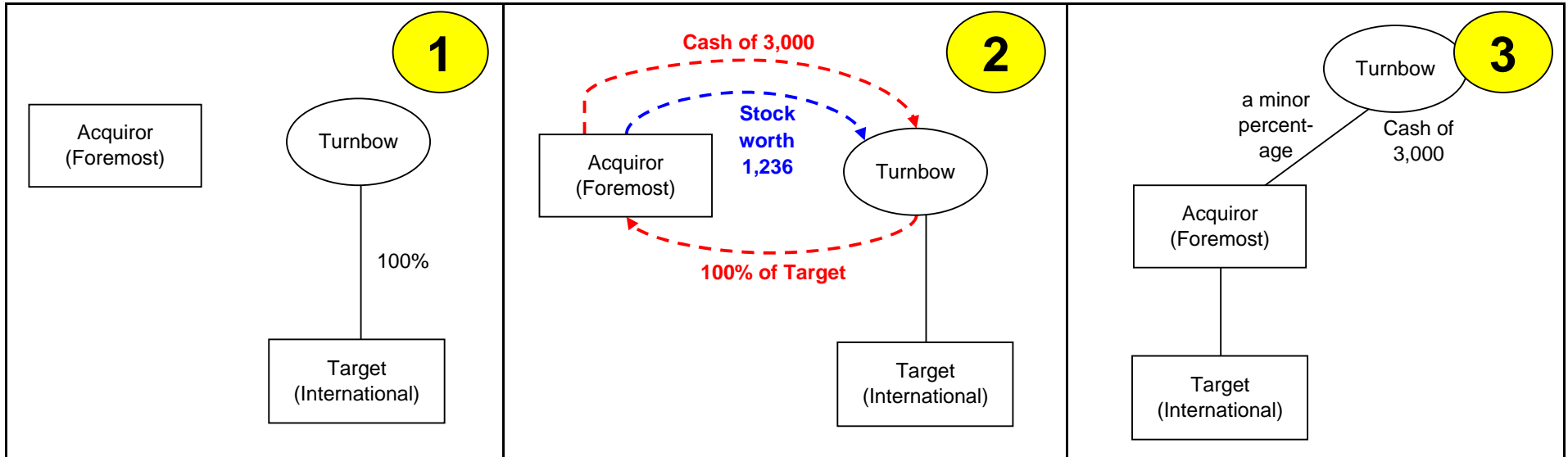
**If No Tax Free Reorganization  
Exists, Then Full Gain Is  
Recognized in the Exchange**

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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".