

schuck v  
of the Ne  
tion to it  
divided p  
represent  
field, in h

"It  
recei  
for  
guis  
prof  
stoc  
a pr  
inve  
stoc

But,  
are sold  
vestor.  
terest re  
same po  
reinvest  
tives the

The s  
to rights

"Th  
scri

Tha  
upon its  
dends, th  
of a spec

In ei  
reduce th  
ercise a r  
alent to r  
time, inv

With  
tax laws  
tax." I  
special c  
in this c  
the secur  
by the

\* Doerschue  
† Reg. 45.



es, that Court ruled that debenture bonds  
Brewing Company, issued by the corpora-  
s representing accumulated surplus or un-  
income to the recipients in so far as they  
since March 1, 1913. District Judge Chat-  
d:

efore, in the present case, that the plaintiffs  
ayment (in the form of securities available  
he market, and entirely severed or distin-  
control of the property as stockholders) of  
mpany wished to distribute as earnings to its  
this by distribution of obligation which, like  
alled for the payment of cash, and did not  
with merely a different form of holding of

are not income to the holder. Unless they  
needs spent, their recipient remains an in-  
the bonds is the capital value of the in-  
m. Here again the stockholder is in the  
e had received a cash dividend and then  
rities mentioned. The reinvestment nega-

of opinion has been going on in reference  
It was formerly held that

t received from the sale of rights to sub-  
income."†

e is incorrect and may be unjust is apparent  
ights" are essentially analogous to stock divi-  
g convertible into stock with the payment  
share.

result of the increased capitalization is to  
ch share previously held. To receive and ex-  
ibe at \$100 for a stock worth \$200 is equiv-  
ck dividend of a half share and, at the same  
er half share at its true worth.

defects in principle underlying our income  
ingenious tax-dodgers to "beat the income  
cases where a wealthy man has created a  
hold most of his securities; all the stock  
held by the man himself. All dividends on  
to the coporation but no dividends are paid  
Instead the equivalent is "borrowed" of

ed. 740, Hewett pp. 74-75.  
Art. 39.