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nonrecourse liability of $6,000, a book value of $10,000 and an adjusted basis of $4,000. The other person contributed $4,000 in cash. The IRS ruled that the partnership had $6,000 of I.R.C. § 704(c) built-in gain from the depreciable property and the contributing partner’s share of the nonrecourse liabilities was to be determined under Treas. Reg. § 1.752-3. Under Section 1.752-3(a)(1), the partners do not receive an allocation of nonrecourse liabilities because the book value exceeded the nonrecourse liability immediately after the contribution of the property. Under Section 1.752-3(a)(2), the nonrecourse liabilities are allocated as provided by I.R.C. § 704(c) as if the property was sold by the partnership in exchange only for assumption of the liability. In this case, such a transaction would result in $2,000 of taxable gain which would be allocated to the contributing partner and $4,000 of book loss, $2,000 of which would be allocated to each partner, if the partnership used the traditional method of making Section 704(c) allocations. If the partnership used the remedial allocation method of Treas. Reg. § 1.704-3(d), the partnership would make a remedial allocation of $2,000 tax loss to the noncontributing partner and a remedial allocation of tax gain to the contributing partner; thus, the contributing partner would be allocated $4,000 of the nonrecourse liabilities. If the partnership used the curative allocation method of Treas. Reg. § 1.704-3(c), the contributing partner would be allocated $2,000 of the nonrecourse liability. The excess nonrecourse liabilities are allocated under one of the alternatives of Section 1.752-3(c). Rev. Rul. 95-41, I.R.B. 1995-37.

LIMITED LIABILITY COMPANIES. The taxpayers formed a limited liability company under the Texas Limited Liability Act. The Act provides that an LLC is dissolved upon the death, expulsion, withdrawal, bankruptcy or dissolution of a member or other terminating event, unless there is at least one remaining member and a number of the remaining members, as established by the LLC agreement, vote to continue the LLC. The Act also prohibited the assignment or transfer of an LLC interest unless allowed by the LLC agreement. The IRS ruled that the LLC would be a partnership under the I.R.C. Ltr. Rul. 9520036, Feb. 17, 1995.

PENSION PLANS. For plans beginning in May 1995, the weighted average was 7.29 percent with the permissible range of 6.56 to 7.95 percent (90 to 109 percent permissible range) and 6.56 to 8.02 percent (90 to 110 percent permissible range) for purposes of determining the full funding limitation under I.R.C. § 412(c)(7). Notice 95-32, I.R.B. 1995-22, 6.

S CORPORATIONS-ALM § 7.02[3][c].

BUILT-IN GAIN. The taxpayer was a C corporation which had merged into an S corporation. The C corporation assets included growing timber. The IRS ruled that the income derived from the cutting of timber and the sale of the logs during the recognition period (10 years from the date of the election) would not constitute recognized built-in gain if the timber is cut during the recognition period. The sale of logs cut before the recognition period and sold during the recognition period would produce built-in gain. Ltr. Rul. 9519024, Feb. 9, 1995; Ltr. Rul. 9520044, Feb. 21, 1995.

ONE CLASS OF STOCK. An S corporation had one person and two qualified trusts as shareholders. From 1987 through 1991, the corporation made distributions to the shareholders which varied from the proportional interests of the shareholders in order to assist the shareholders in making federal income tax payments resulting from their share of corporation income. The disproportionate distributions were adjusted in 1994 to equalize the cumulative amount of per share distributions. The IRS ruled that the corporation did not create a second class of stock. Ltr. Rul. 9519035, Feb. 14, 1995.

An S corporation had three shareholders. Because of a misunderstanding of the regulations, the corporation made distributions to the shareholders based on cumulative earnings allocated to the shareholders instead of the correct allocation based on stock ownership. The corporation equalized the distributions to comply with the regulations. The IRS ruled that the temporary incorrect allocations did not create a second class of stock. Ltr. Rul. 9519048, Feb. 14, 1995.

LABOR

SUCCESSOR CORPORATION. The plaintiff was a corporation engaged in the production, processing and transportation of poultry. A controlling interest of stock of the corporation was purchased by another corporation. Both corporations were found to have violated 29 U.S.C. § 158(a)(5) for the unfair labor practice of refusing to bargain with a union selected by a majority of the plaintiff’s workers. The purchasing corporation argued that it was not liable for the violations as a mere shareholder. The court held that the purchasing corporation became a successor to the plaintiff when it acquired a controlling interest in the plaintiff and continued the business of the plaintiff substantially unchanged. Holly Farms Corp. v. NLRB, 48 F.3d 1360 (4th Cir. 1995).
The plaintiff was a corporation engaged in the production, processing and transportation of poultry. The corporation was found to have committed unfair labor practices, under 29 U.S.C. § 158(a)(5), for failure to bargain with a union selected by a majority of the plaintiff’s workers. One group of employees included transportation crews who consisted of a driver, a forklift driver, and nine chicken catchers. These crews traveled to the farms of independent contractors and caught, caged and loaded the chickens onto trucks for shipping to the plaintiff’s processing plants. The plaintiff argued that the employees in these crews were agricultural laborers excluded from the federal labor act because the crews worked on farms and performed labor closely linked to the raising of the poultry. The court followed NLRB v. Hudson Farms, Inc., 681 F.2d 1105 (8th Cir. 1982), cert. denied, 459 U.S. 1069 (1982) and Valmac Indus. v. NLRB, 599 F.2d 246 (8th Cir. 1979), in holding that the crews were not agricultural laborers. Holly Farms Corp. v. NLRB, 48 F.3d 1360 (4th Cir. 1995).

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