

EA
January 30, 1939.

Hon. Joseph M. Peggs, Director,
Income Tax Division,
Arizona State Tax Commission,
Phoenix, Arizona.

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Sir:

Re: J. Fred Hoover, Income Tax
Return - 1935.

Under date of January 17, 1939, you requested the opinion of this office as to whether or not, under the Arizona income tax statutes, an allowable deduction from gross revenue was proper under the following hypothetical statement of facts.

A lawyer (who is also engaged in farming) receives, in a prior year, a piece of land in payment of a professional fee. He reports in that year the amount of such fee as income. Subsequently, he makes expenditures in the improvement of said land, and during the year 1934 sells the same for less than the amount of his original fee and the improvement expenditures aforesaid. He claims a deduction from gross revenue for the year 1935 of the amount of loss occasioned by the transactions above mentioned.

You are advised that it is the opinion of the Attorney General of Arizona that such deduction is not allowable under the Arizona income tax statutes.

Respectfully,

Joe Conway,
Attorney General.

Allan K. Perry,
Special Assistant
Attorney General.

AKP:AM

MEMORANDUM OF AUTHORITIES IN SUPPORT
OF OPINION RE ALLOWABILITY OF DEDUC-
TION FROM SALE OF RANCH ACQUIRED IN
PAYMENT OF ATTORNEY'S FEE.

Burkhard Investment Co. v. U. S., 22 F. Supp. 23.

Henderson v. U. S., 22 F. Supp. 206.

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