



## Tax Reduction Letter

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### ***Coca-Cola Bottling Works v. Commissioner***

19 B.T.A. 1055 (B.T.A. 1930)

Docket No. 31383.

Board of Tax Appeals.

Promulgated May 23, 1930.

E. J. Wells, Esq., for the petitioner.

John E. Marshall, Esq., and J. D. Kiley, Esq., for the respondent.

This proceeding is for the redetermination of a deficiency in income tax of \$1,658.76 for the fiscal year ended October 31, 1924. The only matter put in controversy by the petition is the correctness of the respondent's action in disallowing \$11,287.25 taken by the petitioner as a deduction in its return for repairs made to a building owned and equipped by the petitioner.

#### **FINDINGS OF FACT.**

The petitioner is a Kentucky corporation with its principal office at Sixteenth and Bank Streets, Louisville, Ky.

The petitioner in 1912 acquired a brick building then some fifty years old. In 1923, upon investigation, and after consultation with the city building inspector, it decided that the front and one side wall were unfit for the use to which petitioner expected to put the building. At this time the side wall was supported by interior braces and the second-floor joists were in bad condition. In 1924 the petitioner expended the sum of \$11,287.25 in restoring the building. A new front was constructed and the side wall entirely rebuilt with steel windows replacing the former wooden ones. New joists were put in the second floor and the roof made serviceable. The work done on the building served to prolong its life and put it in condition for use by the petitioner in its business. At the time this construction work was done the petitioner also was building an addition to this building, and the contractor who did the work estimated that the work on the new building cost \$11,287.25. The petitioner, in his return for the fiscal period ended October 31, sought to take this amount as a deduction for expenses and the respondent denied the deduction.

#### **OPINION.**

McMAHON:

The petitioner contends that the amount of \$11,287.25 paid for a replacement to its building does not constitute a capital expenditure, but cost of repairs, and as such is an allowable deduction.

The question presented is one of fact. If the expenditures were for replacements, alterations, improvements, and additions they must be capitalized. *H. S. Crocker Co.*, 15 B. T. A. 175.

The evidence shows that all the work for which the expenditures were made was pursuant to a general plan of reconditioning, improving and altering the property as a whole to make it suitable for the petitioner's purposes. As such we think the expenditures were of a capital nature and not deductible as expense. *Home News Publishing Co.*, 18 B. T. A. 1008.

Judgment will be entered for the respondent.