

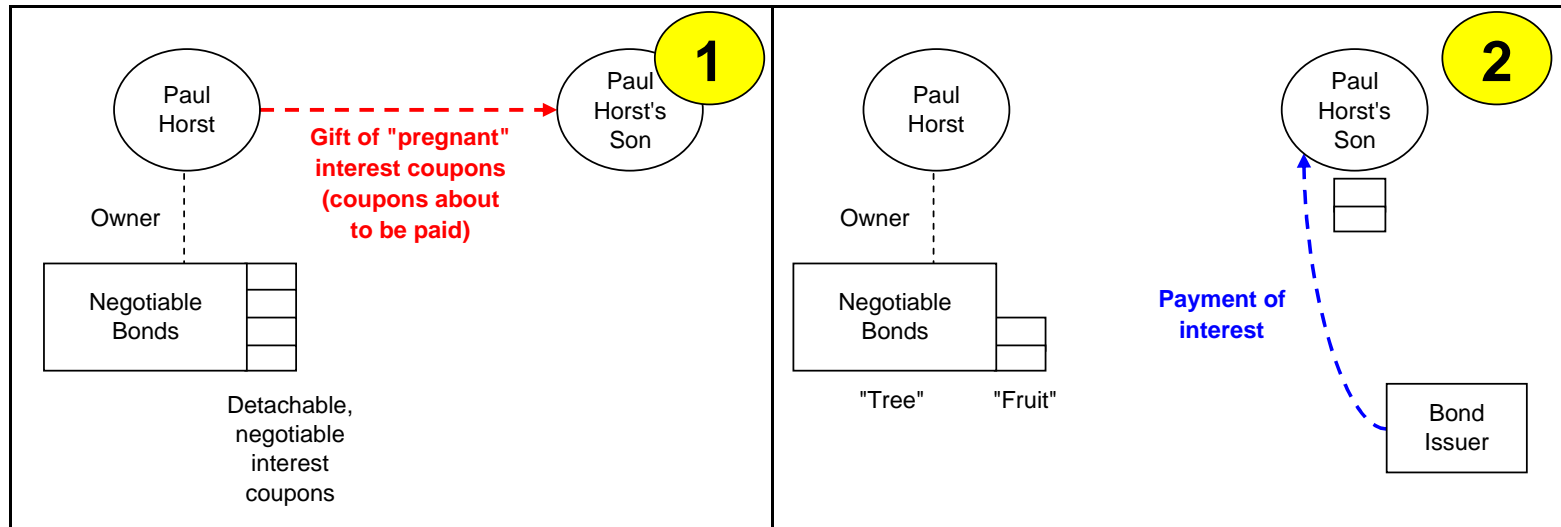
Helvering v. Horst
311 U.S. 112 (1940)

**Fruit Not Attributed
to a Different Tree**

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Gift of Bond Coupons

Payment of Interest



In 1934 and 1935 Paul Horst, the owner of negotiable bonds, detached from them negotiable interest coupons shortly before their due date and delivered them as a gift to his son who in the same year collected them at maturity. The holder of a coupon bond is the owner of two independent and separable kinds of right. One is the right to demand and receive at maturity the principal amount of the bond representing capital investment. The other is the right to demand and receive interim payments of interest on the investment in the amounts and on the dates specified by the coupons.

The Court held that Paul Horst was liable for tax on the interest received by his son, stating that:

The power to dispose of income is the equivalent of ownership of it. . . . When, by the gift of the coupons, he has separated his right to interest payments from his investment and procured the payment of the interest to his donee, he has enjoyed the economic benefits of the income . . . and . . . the import of the statute is that the fruit is not to be attributed to a different tree from that on which it grew." (Emphasis added).

If Horst had gifted both the bond and the interest coupons to his son, then the interest would have been taxable to his son.

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