

10-875 HALL V. UNITED STATES

DECISION BELOW: 617 F.3d 1161

LOWER COURT CASE NUMBER: 08-17267

QUESTION PRESENTED:

After filing a Chapter 12 bankruptcy petition, Petitioners sold their family farm with the consent of their bankruptcy trustee and court approval, and with sale proceeds administered through the bankruptcy estate to pay creditors. Internal Revenue Code § 1399 provides that a bankruptcy filing other than an individual Chapter 7 or individual Chapter 11 does not give rise to a "separate taxable entity." Does that IRC provision mean that the capital gains income tax incurred due to the sale of the farm is not a Bankruptcy Code administrative expense owed by the bankruptcy estate and payable under a bankruptcy reorganization plan? If so, Bankruptcy Code § 1222(a)(2), enacted to provide special treatment of such family farmer administrative expenses, would not apply or permit Petitioners to satisfy the tax as an unsecured claim that is not required to be paid in full.

CERT. GRANTED 6/13/2011