

Decision of the Tax Appeal Board - Date: April 10, 1972

Docket No. 448

Alden V. Keene

Personal Income - Deduction of Loss by Guarantor of Defaulted Loan -
Prior Law.

A taxpayer is allowed a deduction, under Sec. 1118 (11) Title 30, of prior law, for amounts paid as guarantor of a bank loan on which the borrower is rejected. Although the taxpayer received no compensation for putting up collateral, he believed his wife's business would benefit from the continued services of the borrower's wife, a valued employee. There was no original intent to pay off the loan for the borrower, who was expected to repay the bank. The taxpayer failed to file a claim in the borrower's bankruptcy proceedings only because he did not realize that he had an enforceable claim.