



The issue in the case was whether Miami National was eligible to file a consolidated return with Data Lease in 1970 and 1971. In 1969, Data Lease and sellers (including Cohen) executed an agreement of sale and purchase of 870,000 shares of Miami National (representing 80.2% of all shares outstanding). However, only 837,129 of the shares (77.2%) were physically received by Data Lease. The remaining 32,871 shares (3.0%) were held by Cohen through a subordinated securities account.

The Tax Court held that Cohen beneficially owned the shares in the account and that he could transfer beneficial ownership of those shares. After the 1969 purchase, Data Lease beneficially [and directly] owned more than 80% of Miami National. Therefore, Miami National was eligible to file a consolidated return with Data Lease.