

Rev. Rul. 70-473

A city advertised for bids from private developers to undertake the redevelopment of all the property in one of its blighted areas. A private development company submitted the low bid and was awarded the contract to purchase and clear the property, construct streets, and install modern utilities in connection with the development of part of the land for modern low-cost housing and the balance for light industrial programs. In clearing the slum area, the development company is required to pay amounts equal to relocation allowances to displaced owner-occupants and displaced tenants provided for by certain Federal programs.

Held, the amounts paid by the development company to the owner- occupants and tenants of slum dwellings to be razed are additional costs of the land that are not deductible as ordinary and necessary business expenses under section 162(a) of the Internal Revenue Code of 1954. Since these expenditures are part of the cost of the land acquired, the company may not amortize such expenditures.