St. John's Law Review

Volume 20
Number 1 *Volume 20, November 1945, Number 1*

Article 7

Constitutional Law--Landlord and Tenant--Rent Regulation--Commercial Space (Twentieth Century Associates v. Waldman, 294 N.Y. 571 (1945))

St. John's Law Review

RECENT DECISIONS

CONSTITUTIONAL LAW—LANDLORD AND TENANT—RENT REGULATION—COMMERCIAL SPACE.—The question of the constitutionality of the Commercial Rent Law (Chapter 3 of the New York Laws of 1945) which relates to the regulation, control and stabilization of rentals did not go long unanswered. The law, effective January 24, 1945, applies to premises occupied for commercial purposes in cities having more than one million inhabitants and provides for an "emergency rental" of 15% above rents charged on March 1, 1943, reviewable, however, either upon application to the Supreme Court or upon submission to arbitration.

In an action in the Municipal Court of the City of New York, a landlord sought to recover rent under the terms of a lease entered into prior to the effective date of the statute, which provided for a rental in excess of the amount allowed by the statute. The court dismissed the complaint and held the statute retroactively applicable to the plaintiff's lease. Plaintiff appealed, attacking the constitutionality of the rent law. *Held,* judgment affirmed. *Twentieth Century Associates v. Waldman,* 294 N. Y. 571, 63 N. E. (2d) 177 (1945).

Plaintiff contended that the statute impaired the obligation of leases executed prior to January 24, 1945, its effective date, and was therefore in violation of the Federal Constitution.[1] Although ordinarily the state cannot impair the obligations and interests created by a contract, it is a well established principle that when an emergency arises and the public welfare requires modification of private contractual obligations in the public interest, the question is not whether "legislative action affects contracts, but whether the legislation is addressed to a legitimate end and the measures taken are reasonable and appropriate to that end." [2]

In the instant case the majority of the court found the legislature justified in finding that unjust, unreasonable, and oppressive leases and agreements for the payment of rent for commercial space in certain cities were being exacted by landlords from tenants under stress of prevailing conditions, and that a breakdown had taken place in normal processes of bargaining. The court also concurred with the legislature in determining that freedom of contract had become an illusory concept, and that there had come into existence condi-

---

[1] U. S. CONST. Art. I, § 10: "No State shall . . . pass any . . . Law impairing the Obligation of Contracts . . . ."

[2] Home Bldg. & L. Ass'n v. Blaisdell, 290 U. S. 398, 438, 78 L. ed. 413; Matter of People (Tit. & Mtge. Guar. Co.) 264 N. Y. 69, 83, 190 N. E. 153; East New York Sav. Bank v. Hahn, 293 N. Y. 622, 59 N. E. (2d) 625.

tions threatening to obstruct war production and the production and distribution of essential civilian commodities.[3] These conditions created a public emergency which made action by the legislature imperative in order to protect the public safety, health, and general welfare of the people of the State of New York.

The court's conclusion that the Act was within the police power of the state also disposed of the plaintiff's contention that the statute violated the due process clause.[4]

J. M. Z.

INCOME TAX—TAX STATUS OF TRUST INCOME DISTRIBUTED AS PRIZE.—Malcolm McDermott, the recipient of the Ross Essay Prize awarded by the American Bar Association in 1939, petitioned the United States Court of Appeals, District of Columbia, to review a decision of the Tax Court, sustaining an income tax deficiency determined by the Commissioner of Internal Revenue on the income from the award.

Erskine M. Ross, a retired federal judge, left a will, one of the clauses of which provided that the sum of $100,000 be given to the American Bar Association to be safely invested by it, and the annual income to be offered and awarded as a prize for the best discussion of a subject to be suggested at the preceding annual meeting of the Association. The Superior Court of Los Angeles County, previous to the award of the prize to the petitioner, construed this clause to mean that in any given year the Association might spend less than the entire income for that year; that it might in any given year expend more than the entire current and accumulated income; and that it was empowered to pay the resulting deficiency, if any, from the income of the following year.

In 1939 an award of $3,000 was made to Professor McDermott for the best essay on the topic, "To What Extent Should the Decisions of Administrative Bodies Be Reviewable by the Courts."[1] The Tax Court held that as Professor McDermott was the ascertained income beneficiary of the trust for 1939, the award was part of his gross income and he was therefore taxable thereon. *Held,* reversed. *McDermott v. Commissioner of Internal Revenue,* 150 F. (2d) 585 (App. D. C. 1945).

The question presented on appeal to the United States Court of Appeals was whether such award was part of the petitioner's gross income within the meaning of Section 22(a) of the Internal Revenue Code which includes "gains, profits and income . . . from professions . . . or . . . from any source whatever," and there-

---

[3] N. Y. Laws 1945, c. 3, § 1.

[4] U. S. CONST. AMEND. XIV, § 1; N. Y. CONST. Art. I, § 6.

[1] 25 A. B. A. J. 453.