Section 6662 of the Internal Revenue Code prescribes a penalty for an underpayment of federal income tax that is "attributable to" an overstatement of basis in property. 26 U.S.C. 6662(a), (b)(3), (e)(I)(A) and (h)(I).

The question presented is as follows:

Whether the overstatement penalty applies to an underpayment resulting from a determination that a transaction lacks economic substance because the sole purpose of the transaction was to generate a tax loss by artificially inflating the taxpayer's basis in property.