

CHAPTER 506—S. F. No. 1290

An act relating to the excise tax on gasoline, combustible gases and other liquid petroleum products, or substitutes therefor, empowering the commissioner of taxation to enter into reciprocal agreements with other states waiving the license provisions and use tax requirements; amending Minnesota Statutes 1957, Section 296.17, Subdivision 6.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1957, Section 296.17, Subdivision 6, is amended to read:

Subd. 6. **Reciprocal agreements.** The commissioner is hereby empowered to enter into reciprocal agreements with the appropriate officials of any other state under which he may waive all or any part of the requirements imposed by this section upon those who use in Minnesota gasoline or other motor vehicle fuel upon which the tax has been paid to such other state, provided that the officials of such other state grant equivalent privileges with respect to gasoline or other motor vehicle fuel used in such other state but upon which the tax has been paid to Minnesota.

The commissioner is also hereby empowered to enter into reciprocal agreements with the appropriate officials of other states, exempting vehicles licensed in such other states from the license and use tax provisions contained in this section, which otherwise would apply to vehicles licensed by such other state, provided that such other state grant equivalent privileges with respect to vehicles licensed by Minnesota.

Sec. 2. *The provisions of this act shall be effective from and after July 1, 1961.*

Approved April 20, 1961.

CHAPTER 507—S. F. No. 1291

Relating to taxes on and measured by net income; amending Minnesota Statutes 1957, Section 290.07, Subdivision 5.

Be it enacted by the Legislature of the State of Minnesota:

Changes or additions indicated by italics, deletions by ~~strikeout~~.

Section 1. Minnesota Statutes 1957, Section 290.07, Subdivision 5, is amended to read:

Subd. 5. **Property sold on installment plan.** (1) Under regulations prescribed by the commissioner, a person who regularly sells or otherwise disposes of personal property on the installment plan may return as income therefrom in any taxable year that proportion of the installment payments actually received in that year which the gross profit, realized or to be realized when payment is completed, bears to the total contract price.

(2) Income from a sale or other disposition of real property, or from a casual sale or other casual disposition of personal property (other than property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year) for a price exceeding \$1,000, may (under regulations prescribed by the commissioner) be returned on the basis and in the manner prescribed in paragraph (1). The preceding sentence shall apply in the case of a sale or other disposition during a taxable year beginning after December 31, 1954 (whether or not such taxable year ends after the date of enactment of this act), only if in the taxable year of the sale or other disposition there are no payments or the payments (exclusive of evidences of indebtedness of the purchaser) do not exceed 30 percent of the selling price.

(3) A taxpayer may elect to utilize the installment method of reporting income from the sale of intangible personal property only upon condition that he shall in the event he terminates his residence or domicile in this state, return as income, for the taxable period ending with said termination, the gain which would have been includible but for his election to utilize the installment method, less the gain on the transaction which he has previously included in gross income. The filing of a return reporting income from the sale of property on an installment basis shall constitute an election which election shall be irrevocable unless changed on or before the due date for filing return.

(4) If an installment obligation is satisfied at other than its face value or distributed, transmitted, sold or otherwise disposed of, gain or loss shall result to the extent of the difference between the basis of the obligation, and (a) in the case of satisfaction at other than face value or a sale or exchange the amount realized, or (b) in case of a distribution, transmission or disposition otherwise than by sale or ex-

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change the fair market value of the obligation at the time of such distribution, transmission, or disposition. Any gain or loss so resulting shall be considered as resulting from the sale or exchange of the property in respect of which the installment obligation was received. The basis of the obligation shall be the excess of the face value of the obligation over an amount equal to the income which would be returnable were the obligation satisfied in full. ~~This subsection shall not apply to the transmission at death of installment obligations if there is filed with the commissioner, at such time as he may by regulation prescribe, a bond in such amount and with such sureties as he may deem necessary, conditioned upon the return as income, by the person receiving any payment on such obligations, of the same proportion of such payment as would be returnable as income by the decedent if he had lived and had received such payment. Except as provided in Section 290.077 (relating to recipients of income in respect of decedents), this paragraph (4) shall not apply to the transmission of installment obligations at death.~~ If an installment obligation is distributed by one corporation to another corporation in the course of a liquidation, and under section 290.134, subdivision 2 no gain or loss with respect to the receipt of such obligation is recognized in the case of the recipient corporation, then no gain or loss with respect to the distribution of such obligation shall be recognized in the case of the distributing corporation. If an installment obligation is distributed by a corporation in the course of a liquidation, and under section 290.135, subdivision 2, no gain or loss would have been recognized to the corporation if the corporation had sold or exchanged such installment obligation on the day of such distribution, then no gain or loss shall be recognized to such corporation by reason of such distribution.

(5) If a taxpayer entitled to the benefits of paragraph (1) of this subdivision elects for any taxable year to report his net income and taxable net income on the installment basis, then in computing his net income and taxable net income for such year (referred to in this and the succeeding two paragraphs as "year of change") or for any subsequent year, (a) installment payments actually received during any such year on account of sales or other dispositions of property made in any taxable year before the year of change shall not be excluded; but (b) the tax imposed by this chapter for any taxable year (referred to in this and the succeeding two paragraphs as "adjustment year") beginning after December 31, 1954, shall be reduced by the adjustment computed under paragraph (6).

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(6) In determining the adjustment referred to in paragraph (5) (b) first determine, for each taxable year before the year of change, the amount which equals the lesser of: (a) the portion of the tax for such prior taxable year which is attributable to the gross profit which was included in gross income for such prior taxable year, and which by reason of paragraph (5) (a) is includible in gross income for the taxable year, or (b) the portion of the tax for the adjustment year which is attributable to the gross profit described in subparagraph (a) of this paragraph. The adjustment referred to in paragraph (5) (b) for the adjustment year is the sum of the amounts determined under the preceding sentence.

(7) For purposes of paragraph (6), the portion of the tax for a prior taxable year, or for the adjustment year, which is attributable to the gross profit described in such paragraph is that amount which bears the same ratio to the tax imposed by this chapter (or by the corresponding provisions of prior Minnesota income tax laws) for such taxable year (computed without regard to paragraph (6)) as the gross profit described in such paragraph bears to the gross income for such taxable year.

Approved April 20, 1961.

CHAPTER 508—S. F. No. 1292

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1957, Section 290.21.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1957, Section 290.21, is amended to read:

290.21 Credits against taxable net income.

Subdivision 1. The taxes imposed by this chapter shall be on or measured by, as the case may be, the taxable net income less the following credits ~~against it~~:

~~(1)~~ *Subd. 2.* A credit of \$500 in the case of each corporation.

~~(2)~~ *Subd. 3.* An amount for contribution or gifts made within the taxable year;

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