

cation of net income under section 290.19, the net operating loss shall be computed for any such business in the same manner as if the entire gross income therefrom were assignable to this state, and the entire amount of such net operating loss (computed with the exceptions, additions and limitations provided in paragraphs (b), (d), (e), (f), (g) and (h)) shall be carried over in accordance with the provisions of subdivisions 2 and 3 as a deduction in computing net income. The net operating loss referred to herein shall be separately computed in regard to such separate business.

(d) No taxpayer shall be allowed a net operating loss deduction for or with respect to losses connected with income producing activities if the income therefrom would not be required to be either assignable to this state or included in computing the taxpayer's taxable net income.

(e) In computing the net operating loss for any taxable year, a net operating loss for *a* ~~any~~ prior *or succeeding* year shall not be allowed as a deduction.

(f) The amount deductible on account of losses from sales or exchanges of capital assets shall not exceed the amount includible on account of gains from sales or exchanges of capital assets. The deduction for long-term capital gains provided by section 290.16, subdivision 4, shall not be allowed.

(g) Renegotiation of profits for a prior taxable year under the renegotiation laws of the United States of America, including renegotiation of the profits with a subcontractor, shall not enter into the computation of a net operating loss.

(h) Federal income and excess profits taxes shall not be allowed as a deduction in computing a net operating loss.

Approved April 10, 1961.

CHAPTER 260—S. F. No. 1286

[Coded]

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1957, Section 290.071.

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 290.071, is amended by adding a new subdivision to read:

[Subd. 6] Breach of contract damages.

(a) **General rule.** *If an amount representing damages is received or accrued by a taxpayer during a taxable year as a result of an award in a civil action for breach of contract or breach of a fiduciary duty or relationship, then the tax attributable to the inclusion in gross income for the taxable year of that part of such amount which would have been received or accrued by the taxpayer in a prior taxable year or years but for the breach of contract, or breach of a fiduciary duty or relationship, shall not be greater than the aggregate of the increases in taxes which would have resulted had such part been included in gross income for such prior taxable year or years.*

(b) **Credits and deductions allowed in computation of tax.** *The taxpayer in computing said tax shall be entitled to deduct all credits and deductions for depletion, depreciation, and other items to which he would have been entitled, had such income been received or accrued by the taxpayer in the year during which he would have received or accrued it, except for such breach of contract or for such breach of a fiduciary duty or relationship. The credits, deductions, or other items referred to in the prior sentence, attributable to property, shall be allowed only with respect to that part of the award which represents the taxpayer's share of income from the actual operation of such property.*

(c) **Limitation.** *Paragraph (a) shall not apply unless the amount representing damages is \$3,000 or more.*

Sec. 2. *The provisions of this act shall be applicable to taxable years beginning after December 31, 1960.*

Approved April 10, 1961.

CHAPTER 261—S. F. No. 1288

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1957, Section 290.18, Subdivision 1.

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

Changes or additions indicated by italics, deletions by strikeout.