

compliance with the provisions of Minnesota Statutes, Section 645.-021.

Approved June 4, 1971.

CHAPTER 761—S.F.No.2426

An act relating to taxes on and measured by net income and property sold on the installment plan; amending Minnesota Statutes 1969, Section 290.07, Subdivision 5.

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

Section 1. Minnesota Statutes 1969, Section 290.07, Subdivision 5, is amended to read:

Subd. 5. **TAXATION; INCOME TAX; 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~~

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~~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 by a corporation 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 exchange 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. 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 June 4, 1971.

CHAPTER 762—S.F.No.2462

[Not Coded]

An act relating to the city of St. Paul; permitting the city to levy taxes in excess of existing limitations.

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

Section 1. **ST. PAUL, CITY OF; TAX LEVY.** Notwithstanding any provision of the charter of the city of St. Paul to the contrary the city of Saint Paul is hereby authorized to increase the tax mill levy provided for in Section 201.3 of the charter of the city of St. Paul from 49.505 mills to 55 mills. Except as herein provided, the balance of the provisions contained in said Section 201.3 of the charter shall remain in full force and effect.

Sec. 2. This act shall become effective only after its approval by a majority of the governing body of the city of St. Paul and upon compliance with the provisions of Minnesota Statutes, Section 645.021.

Approved June 4, 1971.

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