

any limitation upon the power of a county, city, village, borough, town, or school district to levy taxes, the governmental subdivision concerned may levy taxes in excess of the limitation in such amount as is necessary to meet its obligations under this section. The expenditures authorized to be made under this chapter by any municipality are not included in computing the cost of government as defined in any home rule charter of any municipality affected by ~~this chapter~~: *Laws 1957, Chapter 935.*

Subd. ~~10~~ 7. The governing body of any governmental subdivision affected by this chapter may make contributions to the retirement fund of the retirement association from moneys derived from revenues other than general taxes. The use of these contributions by the retirement association may be limited to certain specific purposes and these limitations are binding upon the retirement association. The board of trustees may refuse to accept any conditional contribution.

Subd. ~~11~~ 8. For the purposes of this section only, the state of Minnesota is considered a governmental subdivision and assumes a liability with respect to legislative officers who are members for any year for which a certification may be made pursuant to the provisions of this section. The certification in such case shall be made to the state auditor who shall transmit the certification to the next regular session of the legislature for appropriate action. Further, for the purposes of this section only, the League of Minnesota Municipalities is considered a governmental subdivision and assumes a liability with respect to its public employees who are members for any year for which a certification may be made pursuant to the provisions of this section.

Approved May 27, 1961.

EXTRA SESSION

CHAPTER 51—S. F. No. 116

[Coded in Part]

An act relating to taxes on and measured by net income and amending Minnesota Statutes 1957, Section 290.01, Subdivision 20, as amended.

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 290.01, Subdivision 20, as amended by Extra Session Laws 1959, Chapter 83, Section 1, and Laws 1961, Chapter 213, Article IV, Section 1, is amended to read:

Subd. 20. *Except as otherwise provided in this chapter, the term "gross income", as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services (including amounts paid, by or on behalf of an employer, whether as gifts or otherwise, by reason of the death of an employee); income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.*

~~(1)~~ The term "gross income" in its application to individuals, estates and trusts means the adjusted gross income as computed for federal income tax purposes as defined in the laws of the United States for the taxable year with the modifications specified in this section.

(a) Modifications increasing federal *adjusted* gross income. There shall be added to federal adjusted gross income:

(1) Interest income on obligations of any state other than Minnesota or a political subdivision of any such other state exempt from federal income taxes under the Internal Revenue Code:

(2) Interest income on obligations of any authority, commission, or instrumentality of the United States, which the laws of the United States exempt from federal income tax, but not from state income taxes;

(3) Income taxes imposed by this state or any other taxing jurisdiction, to the extent deductible in determining federal adjusted gross income and not credited against federal income tax; and

(4) Interest on indebtedness incurred or continued to purchase or carry securities the income from which is exempt from tax under chapter 290, to the extent deductible in determining federal adjusted gross income.

(b) Modifications reducing federal adjusted gross income. There shall be subtracted from federal adjusted gross income:

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(1) Interest income on obligations of any authority, commission or instrumentality of the United States to the extent includible in gross income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) The portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to fifty per centum of such portion of the gain;

(3) Interest or dividend income on securities to the extent exempt from income tax under the laws of this state authorizing the issuance of such securities but includible in gross income for federal income tax purposes.

~~(2) The term "gross income" means all income, as that term is defined and limited by Section 61 of the Internal Revenue Code of 1954 and acts amendatory thereto.~~

~~(3) Items of gross income includible within these definitions shall be deemed such regardless of the form in which received. Items of gross income shall be included in gross income of the taxable year in which received by a taxpayer unless properly to be accounted for as of a different taxable year under methods of accounting permitted by section 290.07, except that (1) amounts transferred from a reserve or other account, if in effect transfers to surplus, shall, to the extent that such amounts were accumulated through deductions from gross income or entered into the computation of taxable net income during any taxable year, be treated as gross income for the year in which the transfer occurs, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act, and (2) amounts received as refunds on account of taxes deducted from gross income during any taxable year shall be treated as gross income for the year in which actually received, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act. If a husband and wife have filed a joint federal income tax return and separate Minnesota income tax returns for the same taxable period, amounts received as refunds on account of federal income taxes paid shall be included in gross income in the same ratio as the deductions for federal income taxes were claimed in the separate Minnesota tax returns.~~

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Sec. 2. **[290.311] Partnership gross income.** *Subdivision 1. Resident Partners.*

(a) *Partner's modifications. In determining gross income and Minnesota taxable income of a resident partner, any modification described in section 290.01, subdivision 20, second paragraph, which relates to an item of partnership income, gain, loss or deduction shall be made in accordance with the partner's distributive share, for federal income tax purposes, of the item to which the modification relates.*

(b) *Character of items. Each item of partnership income, gain, loss, or deduction shall have the same character for a partner under this article which it has for federal income tax purposes. Where an item is not characterized for federal income tax purposes, it shall have the same character for a partner as if realized directly from the source from which realized by the partnership, or incurred in the same manner as incurred by the partnership.*

(c) *Minnesota tax avoidance or evasion. Where a partner's distributive share of an item of partnership income, gain, loss or deduction is determined for federal income tax purposes by special provision in the partnership agreement with respect to such item, and where the effect of such provision is the avoidance or evasion of tax under this article, the partner's distributive share of such item, and any modifications required with respect thereto shall be determined as if the partnership agreement made no special provision with respect to such item.*

Subd. 2. Nonresident partners. (a) Portion derived from Minnesota sources. In determining Minnesota adjusted gross income and Minnesota taxable income of a nonresident partner of any partnership, there shall be included only the portion derived from or connected with Minnesota sources of such partner's distributive share of items of partnership income, gain, loss or deduction for federal income tax purposes. The portion of such distributive share of each item which is derived from or connected with Minnesota sources, shall be determined under regulations of the tax commissioner.

(b) *Partner's modifications. Any modification described in section 290.01, subdivision 20, second paragraph, which relates to an item of partnership income, gain, loss or deduction, shall be made to the extent of the portion derived*

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from or connected with Minnesota sources of the item to which the modification relates.

(c) *Alternate methods.* The tax commissioner may, on application, authorize the use of such other methods of determining a nonresident partner's portion of the distributive share of partnership items derived from or connected with Minnesota sources, and the modifications related thereto, as may be appropriate and equitable, on such terms and conditions as it may require.

Approved June 2, 1961.

EXTRA SESSION

CHAPTER 52—S. F. No. 175

[Not Coded]

An act relating to Glen Lake Sanatorium; amending Laws 1961, Chapter 618, Section 10.

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

Section 1. Laws 1961, Chapter 618, Section 10, is amended to read:

Sec. 10. This act shall become effective ~~Jan. 1, 1962~~
July 1, 1961.

Approved June 2, 1961.

EXTRA SESSION

CHAPTER 53—S. F. No. 182

[Not Coded]

An act relating to the village of Arden Hills; authorizing the sale of food in certain liquor stores.

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

Section 1. **Arden Hills, village of; liquor stores.** Any establishment in the village of Arden Hills in Ramsey County which holds a combination "on sale" and "off sale" license for the sale of intoxicating liquor may sell food.

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