

again be one mill. Any city to which this subdivision applies whose maximum annual tax levy for all purposes is limited by charter provision or statute, shall, notwithstanding the maximum annual tax levy, levy the tax herein provided for in addition to the levy as limited by the charter or statute. Nothing contained in the provisions of any local charter or any general or special law shall limit or curtail the levy hereby authorized and directed. If such tax is levied, then in addition thereto, the city treasurer, finance commissioner or other officer charged with the responsibility of the city's finances, shall deduct each month the sum of \$2.50 from the basic monthly pay of all firemen and transfer the total thereof to the treasurer of the special fund of the firemen's relief association, who shall credit the total to the special fund and to the credit of the individual firemen. However, if a fireman is separated from the service under such circumstances that no pension benefits are payable to him or his widow or children, the treasurer of the special fund shall return to the fireman or to his immediate family in the event such separation is due to his death, all of the amounts so deducted from his base pay, without interest and less the amount of any disability or other benefits theretofore paid such fireman. The tax so levied shall be transmitted with other tax levies to the auditor of the county in which such city is situated, and shall be collected and payment thereof enforced by the county in the same manner as state and county taxes are collected and paid.

Approved April 17, 1951.

CHAPTER 421—H. F. No. 323

An act relating to taxes on and measured by net income; providing for premiums paid on hospitalization insurance being deductible from gross income; amending Minnesota Statutes 1949, Section 290.09.

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

Section 1. Minnesota Statutes 1949, Section 290.09, is amended to read:

290.09 **Deductions from gross income.** The following deductions from gross income shall be allowed in computing net income:

(1) Ordinary and necessary expenses paid or incurred in conducting the activity or in carrying on the trade, profession, gainful occupation or business from which the gross income is derived, including a reasonable allowance for salaries and voluntary or compulsory contributions made by employers to maintain a voluntary or compulsory system of unemployment insurance or a system of old age pensions for their employees, and any welfare work for the benefit of such employees;

(2) The interest paid or accrued within the taxable year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations or securities the income from which is excludible from gross income under section 290.08, or on indebtedness incurred or continued in connection with the purchasing or carrying of an annuity;

(3) Taxes paid or accrued within the taxable year, except (a) income or franchise taxes imposed by this chapter; and (b) taxes assessed against local benefits of a kind deemed in law to increase the value of the property assessed; and (c) inheritance, gift and estate taxes. Income taxes permitted to be deducted hereunder shall, regardless of the methods of accounting employed, be deductible only in the taxable year in which paid. Taxes imposed upon a shareholder's interest in a corporation which are paid by the corporation without reimbursement from the shareholder shall be deductible only by such corporation;

(4) Losses sustained during the taxable year not compensated for by insurance or otherwise if incurred in connection with a business or transaction the gains from which, if any, would be includible in gross income; or if arising from fires not attributable to arson the taxpayer or some one acting for him, or from storms, wrecks, other casualty, or theft. Losses from wagering transactions shall be allowed only to the extent of the gain from such transactions. No deductions shall be allowed under this clause for any loss sustained in any sale or other disposition of shares of stock or other securities if within 30 days before or after the date of such sale or other disposition the taxpayer has acquired (other than by bequest or inheritance) or entered into a contract or option to acquire substantially identical property and the property so acquired is held by the taxpayer for any period after such sale or disposition; but if such acquisition or

the contract or option to acquire is to the extent of part only of substantially identical property, then only a proportionate part of such loss shall be disallowed. Deductible losses arising from fires, storms, wrecks, or other casualty shall be treated as sustained in the taxable year during which the property was injured or destroyed, and deductible losses arising from theft shall be treated as sustained in the taxable year in which the taxpayer discovers the theft. The amount of the deductible loss shall be computed on the same basis as is provided by section 290.12 for determining the gain or loss on the sale or other disposition of property;

(5) Debts which become worthless during the taxable year, provided, that the taxpayer may in the alternative deduct a reasonable addition to a reserve for bad debts; provided further, that the commissioner may allow a bad debt to be deducted or charged off in part. Corporations taxable under the provisions of section 290.361 which have heretofore in any taxable year taken such deductions by the reserve method in their income tax returns to the Federal Government may, on or before July 1, 1949, make application to the commissioner for permission to take such deductions for the same year upon the same method;

(6) A reasonable allowance for the exhaustion, wear and tear of property the periodical income from which is includible in gross income, and of property used in an occupation or business, including a reasonable allowance for obsolescence. In the case of property held by one person for life with remainder to another person the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant. In the case of property held in trust the allowable deduction shall be apportioned between the income beneficiary and the trustee in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the trust income allocable to each. In the case of buildings or other structures or improvements constructed or made on leased premises by a lessee, and the fixtures and machinery therein installed, the lessee alone shall be entitled to the allowance of this deduction;

(7) In the case of mines, oil and gas wells, other natural deposits, and timber, a reasonable allowance for depletion. In the case of leases the deduction shall be equitably apportioned

between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held by one person for life with remainder to another person, the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant. In the case of property held in trust the allowable deduction shall be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the trust income allocable to each;

(8) The amount of the deduction under clauses (6) and (7) shall be computed on the basis specified in section 290.16;

(9) The deductions provided for herein shall be taken for the taxable year in which paid or accrued, dependent upon the method of accounting employed in computing net income, unless in order to clearly reflect income they should be taken as of a different year;

(10) No deductions shall be allowed unless the taxpayer, when thereunto requested by the commissioner, furnishes him with information sufficient to enable him to determine the validity and correctness thereof;

(11) Payments for expenses for hospital, nursing, medical, surgical, dental and other healing services, including institutional care and treatment for the mentally ill and physically handicapped, and for medical supplies and ambulance hire, incurred by the taxpayer on account of sickness, mental illness, physical handicap or personal injury to himself or his dependents *and premiums paid for hospitalization insurance including non-profit hospital service and non-profit medical service plans*. Payments for traveling expenses shall not be deductible under the provisions of this subdivision. Payments for hotel or similar lodging expenses shall be deductible in the same manner as payments for hospital services, if the taxpayer or his dependent is not hospitalized but is nevertheless required to remain in a medical center away from his usual place of abode, for the purpose of receiving prescribed medical treatment;

(12) An allowance for amortization of war facilities to the extent that such deduction is finally allowed under section

124 of the internal revenue code provided no deduction has been claimed with respect thereto under clause (6) of this section or any other section, subdivision, or clause of this chapter;

(13) In the case of a corporation, the amount of any income of the taxpayer attributable to the discharge, within the taxable year, of any indebtedness of the taxpayer, or for which the taxpayer is liable evidenced by a security (as hereinafter in this paragraph defined) if the taxpayer makes and files at the time of filing the return, in such manner as the commissioner by regulations prescribes, its consent to the regulations prescribed under section 290.12, subdivision 3, then in effect. In such cases the amount of any income of the taxpayer attributable to any unamortized premium [premium] (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be included in gross income and amount of the deduction attributable to any unamortized discount (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be allowed as a deduction. As used in this paragraph the term "security" means any bond, debenture, note, or certificate, or other evidence of indebtedness issued by any corporation. [;]

(14) An allowance for all taxable years beginning after December 31, 1942, for amortization of bond premiums in accordance with the provisions of section 125 of the Internal Revenue Code adapted to the provisions of this chapter under regulations issued by the commissioner, but only to the extent that such deduction has not been allowed under any other section of this chapter. [;]

(15) The amounts included in the gross income of a wife under the provision of section 290.072 shall be deductible from gross income of the husband except to the extent they are excluded from his gross income as provided in section 290.072 (2);

(16) In the case of an individual, at his election, a standard deduction as follows:

(a) If his adjusted gross income is \$5,000 or more, the standard deduction shall be \$500.

(b) If his adjusted gross income is less than \$5,000, the standard deduction shall be an amount equal to ten per cent thereof; in such case the standard deduction will be available only through the use of the schedule of taxes provided in section 290.06, subdivision 2.

The standard deduction shall be in lieu of the credits enumerated in section 290.21, clause (2), and all deductions provided for in this chapter other than those enumerated in section 290.18, subdivision 2.

If the adjusted gross income shown in the return is \$5,000 or more, the standard deduction shall be allowed only if the taxpayer so elects in his return. Claiming the standard deduction in the return shall constitute such election. If the adjusted gross income shown in the return is less than \$5,000, computation of the tax by the taxpayer in his return according to the schedule of taxes provided in section 290.06, subdivision 2 (b), shall constitute an election by him to take the standard deduction. Any election to take the standard deduction shall be irrevocable for the taxable year for which such election is made unless changed on or before the due date for filing the return.

If a taxpayer whose adjusted gross income as shown in his return is \$5,000 or more, has elected to take the standard deduction, that election shall be considered to be an election to have his tax computed according to the schedule of taxes provided in section 290.06, subdivision 2(b), if his adjusted gross income is corrected to less than \$5,000. If he has not elected to take the standard deduction, and his adjusted gross income is corrected to less than \$5,000, his tax cannot be computed according to the schedule of taxes provided in section 290.06, subdivision 2(b).

If a taxpayer whose adjusted gross income as shown in his return is less than \$5,000, has elected to take the standard deduction and his adjusted gross income is corrected to \$5,000 or more, that election shall be considered to be an election to take the standard deduction of \$500. If he has not elected to take the standard deduction, and his adjusted gross income is corrected to \$5,000 or more, he shall not be allowed to take the standard deduction of \$500.

In the case of a husband and wife living together, the

standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction. For the purposes of this paragraph the determination of whether an individual is living with his spouse shall be made as of the last day of the taxable year unless the spouse dies during the taxable year in which case such determination shall be made as of the date of such spouse's death.

If a taxable year is less than 12 months because of a change in the accounting period or because of a change in domicile, the standard deduction shall not be allowed.

Approved April 17, 1951.

CHAPTER 422—H. F. No. 739

[Sections 9 and 10 Coded as Sections 475.753, 475.553]

An act relating to public indebtedness and borrowing; amending Minnesota Statutes 1949, Sections 475.51, 475.54, 475.55, 475.63, 475.66, 475.74, and Section 475.58, Subdivision 1, and Section 475.61, Subdivision 1.

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

Section 1. Minnesota Statutes 1949, Section 475.51, is amended by adding a new subdivision to read:

[Subd. 10] *“General obligations” means any obligations which pledge the full faith and credit of the municipality to their payment.*

Sec. 2. Minnesota Statutes 1949, Section 475.54, is amended to read:

475.54 **Serial payments.** All obligations authorized under *this chapter* shall come due serially in annual instalments, as determined by the governing body of the municipality. The first instalment shall come due in not more than three years from the date of the obligations and the last