

of the special fund of the firemen's relief association who shall credit this total to the special fund and to the credit of the individual fireman.

Subd. 3. When the balance in the special fund of any firemen's relief association in any city of the second class is less than \$75,000 the city council or commission or other governing body, may, each year at the time the tax levies are made for the support of the city, and in addition thereto, levy a tax of one mill on all taxable property in the city in addition to the levies provided in subdivisions 1 and 2. If this tax is levied, the city treasurer, finance commissioner, or other officer charged with the responsibility of the city's finances, shall, each month, deduct four percent of the lowest salary paid to any fireman, and transfer the total thereof to the treasurer of the special fund of the fireman's relief association who shall credit this total to the special fund and to the credit of the individual fireman. This deduction shall be in lieu of any deduction under subdivision 2.

Subd. 4. If a fireman in such city of the second class is separated from the service due to resignation or some reason not involving malfeasance, nonfeasance, moral turpitude, injury, death, or other disability, the treasurer of the special fund shall return to the fireman all of the amounts so deducted from his base pay without interest. Members of the firemen's relief association in such city of the second class who were in cities of the second class receiving a firemen's pension on January 1, 1941, and who were active on January 1, 1941, and who joined the association thereafter, or their beneficiaries, shall receive as benefit payments, according to the rules of the association, amounts to be determined by the board of trustees of the association, but these amounts shall be no more than \$125 per month. The tax so levied shall be transmitted with other tax levies to the auditor of the county in which the city is situated, and by the county shall be collected and payments thereof enforced when and in like manner as state and county taxes are paid.

Approved March 15, 1955.

CHAPTER 165—H. F. No. 543

An act relating to taxes, on and measured by net income; amending Minnesota Statutes 1953, Section 290.13.

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

Section 1. Minnesota Statutes 1953, Section 290.13, is amended to add a new subdivision to read:

[Subd. 10.] (1) *No gain or loss shall be recognized on the exchange of a contract of life insurance for another contract of life insurance or for an endowment or annuity contract; or a contract of endowment insurance for another contract of endowment insurance which provides for regular payments beginning at a date not later than the date payments would have begun under the contract exchanged, or for an annuity contract; or an annuity contract for an annuity contract.*

(2) *For the purpose of this subdivision, a contract of endowment insurance is a contract with a life insurance company which depends in part on the life expectancy of the insured, but which may be payable in full in a single payment during his life. An annuity contract is a contract with a life insurance company which depends in part on the life expectancy of the insured, but which may be payable during the life of the annuitant only in installments. A contract of life insurance is a contract with a life insurance company which depends in part on the life expectancy of the insured, but which is not ordinarily payable in full during the life of the insured.*

Sec. 2. **Applicability.** *The provisions of this chapter are applicable to all taxable years beginning after December 31, 1954.*

Approved March 16, 1955.

CHAPTER 166—H. F. No. 544

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1953, Section 290.16, Subdivision 3.

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

Section 1. Minnesota Statutes 1953, Section 290.16, Subdivision 3, is amended to read:

Subd. 3. As used in this section

(1) The term "capital assets" shall mean property held by the taxpayer (whether or not connected with his trade or business), but does not include

(a) stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of