

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

the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or

(b) property, used in the trade or business, of a character which is subject to the allowance for depreciation provided in section 290.09, clause (6), or amortization allowance provided in section 290.09, clause (12), or real property used in the trade or business of the taxpayer, or

(c) *accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in subparagraph (a);*

(2) The term "short-term capital gain" means gain from the sale or exchange of a capital asset held for not more than six months, if and to the extent such gain is taken into account in computing net income;

(3) The term "short-term capital loss" means loss from the sale or exchange of a capital asset held for not more than six months, if and to the extent such loss is taken into account in computing net income;

(4) The term "long-term capital gain" means gain from the sale or exchange of a capital asset held for more than six months, if and to the extent such gain is taken in account in computing net income;

(5) The term "long-term capital loss" means loss from the sale or exchange of a capital asset held for more than six months, if and to the extent such loss is taken into account in computing net income;

(6) The term "net short-term capital gain" means the excess of short-term capital gains for the taxable year over the short-term capital losses for such year;

(7) The term "net short-term capital loss" means the excess of short-term capital losses for the taxable year over the short-term capital gains for such year;

(8) The term "net long-term capital gain" means the excess of long-term capital gains for the taxable year over the long-term capital losses for such year;

(9) The term "net long-term capital loss" means the excess of long-term capital losses for the taxable year over the long-term capital gains for such year.

(10) The term "net capital gain" means the excess of (i) the sum of the gains from the sales or exchanges of capital assets, plus net income of the taxpayer or \$2,000, whichever

is smaller, over (ii) the losses from such sales or exchanges. For this purpose, net income shall be computed without regard to gains or losses from sales or exchanges of capital assets.

(11) The term "net capital loss" means the excess of the losses from sales or exchanges of capital assets over the sum allowed under subdivision 5. For the purpose of determining losses under this paragraph, amounts which are short-term capital losses under subdivision 6 shall be excluded.

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

Approved March 16, 1955.

CHAPTER 167—H. F. No. 545

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

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

Section 1. Minnesota Statutes 1953, Section 290.16, is amended to add a new subdivision to read:

Gain or loss attributable to the sale or exchange of, or loss on failure to exercise, a privilege or option to buy or sell property which in the hands of the taxpayer constitutes (or if acquired would constitute) a capital asset shall be considered gain or loss from the sale or exchange of a capital asset; and, if the loss is attributable to failure to exercise such privilege or option, the privilege or option shall be deemed to have been sold or exchanged on the day it expired. This subdivision shall not apply to losses on failure to exercise options described in subdivision 11 (b).

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

Approved March 16, 1955.

CHAPTER 168—H. F. No. 546

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1953, Section 290.43.