

transaction of any trade or business; and income derived from any source. 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.

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

Approved February 15, 1955.

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#### CHAPTER 22—H. F. No. 191

*An act relating to taxes on and measured by net income; amending Minnesota Statutes 1953, Section 290.08.*

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

Section 1. Minnesota Statutes 1953, Section 290.08, is amended to read:

**290.08 Exemptions from gross income.** The following items shall not be included in gross income:

(1) The value of property acquired by gift, devise, bequest or inheritance, but the income from such property shall be included in gross income; the income received under a gift, devise, bequest or inheritance of a right to receive income shall

also be included in gross income. Amounts paid, credited, or to be distributed at intervals, under the terms of the gift, devise or inheritance, shall be included in gross income of the recipient to the extent paid, credited, or to be distributed out of income;

(2) Amounts received under a life insurance contract payable by reason of the death of the insured, whether in a single sum or in instalments; but the interest accruing after December 31, 1932, and paid by the insurer on any such amount held by it after the death of the insured shall be included in gross income. This paragraph shall not apply with respect to so much of a payment under a life insurance, endowment, or annuity contract, or any interest therein, as is includible in gross income under section 290.072;

(3) Amounts received, other than those specified in clause (2), and other than amounts received as annuities, under a life insurance, or endowment contract; but, if such amounts when added to the amounts received under such contract before the taxable year (after deducting from the aggregate of amounts received such proportion as is represented by interest accrued prior to January 1, 1933) exceed the aggregate premiums or consideration paid, whether or not paid during the taxable year, then the excess shall be included in gross income. Amounts received as an annuity under an annuity or endowment contract shall be included in gross income; except that there shall be excluded from gross income the excess of the amount received in the taxable year over an amount equal to three percent of the aggregate premiums or consideration paid for such annuity, whether or not paid during the taxable year, until the aggregate amount excluded from gross income under the income tax laws of this state plus the amounts received prior to January 1, 1933 (after deducting such proportion of such aggregate amount and amounts received as is represented by interest accrued prior to January 1, 1933), in respect to such annuity equal the aggregate premiums or consideration paid for such annuity. The amount which a transferee for a valuable consideration of any such contract, or interest therein, shall be permitted to exclude from his gross income shall be the actual value of the consideration paid by him plus the amount of the premiums and other sums subsequently paid by him hereunder. This paragraph shall not apply with respect to so much of a payment under a life insurance, endowment, or annuity contract, or any interest therein, as is includible in gross income under section 290.072;

(4) Amounts received as compensation for personal injuries or sickness by the injured or sick taxpayer, whether received under accident or health insurance contracts, work-

men's compensation acts, any plan maintained by employers for such purpose, or by way of damages received in any suit or by agreement; also amounts received as compensation for the death of any member of the taxpayer's family, whether received under insurance contracts, workmen's compensation acts, any plan maintained by employers for such purposes, or by way of damages received in a suit or by agreement; and amounts received under any arrangement entered into by the taxpayer to provide a fund specifically intended to defray the funeral expenses of himself or any member of his family. The word "compensation" and "damages," as used in this clause, shall include reimbursement for medical, hospital, and funeral expenses in connection with such sickness, injury, or death;

(5) Amounts, including interest, received by any person from the United States or from the State of Minnesota or any of its political or governmental subdivisions, either as a refund of contribution to, or by way of payment as a pension, public employee retirement benefit, unemployment compensation benefit, social security benefit or railroad retirement or unemployment compensation benefit, family allotment, or other similar allowance;

(6) Interest upon obligations of the State of Minnesota, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities;

(7) Interest upon obligations of the United States, its possessions, its agencies, or its instrumentalities, so far as immune from state taxation under federal law; provided, that salaries, wages, fees, commissions or other compensation received from the United States, its possessions, its agencies, or its instrumentalities shall be excluded from gross income for all taxable years ending prior to January, 1939; provided, that salaries, wages, fees, commissions, or other compensation received from the United States, its possessions, its agencies, or its instrumentalities for taxable years ending prior to January 1, 1939, shall be excluded only to the extent that salaries, wages, commissions, fees and other compensation received from the State of Minnesota, its political or governmental subdivisions, its municipalities, or its governmental agencies or instrumentalities for that year are excluded from gross income under the federal revenue acts; provided, that salaries, wages, fees, commissions, or other compensation received from the United States, its possessions, its agencies, or its instrumentalities by federal employees residing in "federal areas" shall be excluded from gross income for all taxable years ending prior to January 1, 1941;

(8) The rental value of the premises occupied by the taxpayer as his home, or for his business, except where the occupancy by such taxpayer of such premises for such purposes constitutes in whole or in part the consideration received by him in connection with a transaction such that, had such consideration been received thereunder in cash or other property, the amount thereof would have been required, either in whole or in part, to be included in his gross income;

(9) The value of food and goods produced by the taxpayer and consumed or used by his immediate family;

(10) Amounts deducted from the wages or salaries of employees by employers under a voluntary or compulsory plan of unemployment insurance shall not be included in the gross income of such employees;

(11) The amounts distributed by cooperative buying, selling or producing associations, however organized, as patronage dividends shall not be included in the gross income of such associations;

(12) Clauses (3), (4), (9), and (10) shall not apply to corporations and clauses (6) and (7) shall not apply to corporations taxable under section 290.02 or under section 290.361.

(13) Income, other than rent, derived by a lessor of real property upon the termination of a lease, representing the value of such property attributable to buildings erected or other improvements made by a lessee;

(14) The rental value of a dwelling house and of appurtenances thereof furnished to a minister of the gospel as part of his compensation;

(15) Amounts received during the taxable year as mustering-out payments with respect to service in the military or naval forces of the United States or the United Nations.

(16) *The value of any meals or lodging furnished to an employee by his employer for the convenience of the employer, but only if—*

(a) *in the case of meals, the meals are furnished on the business premises of the employer, or*

(b) *in the case of lodging, the employee is required to accept such lodging on the business premises of his employer as a condition of his employment,*

*In determining whether meals or lodging are furnished for the convenience of the employer, the provisions of an em-*

ployment contract or of a Minnesota Statute or rule or regulation promulgated thereunder fixing terms of employment shall not be determinative of whether the meals or lodging are intended as compensation.

(17) (a) *In the case of an individual, (1) any amount received as a scholarship at an educational institution (as defined in paragraph (d) of this clause), or as a fellowship grant, including the value of contributed services and accommodations; and (2) any amount received to cover expenses for travel, research, clerical help, or equipment, which are incident to such a scholarship or to a fellowship grant, but only to the extent that the amount is so expended by the recipient.*

(b) *In the case of an individual who is a candidate for a degree at an educational institution the provisions of paragraph (a) shall not apply to that portion of any amount received which represents payment for teaching, research, or other services in the nature of part-time employment required as a condition to receiving the scholarship or the fellowship grant. If teaching, research, or other services are required of all candidates (whether or not recipients of scholarships or fellowship grants) for a particular degree as a condition to receiving such degree, such teaching, research, or other services shall not be regarded as part-time employment within the meaning of this paragraph.*

(c) *In the case of an individual who is not a candidate for a degree at an educational institution (as defined in paragraph (d) of this clause), paragraph (a) shall apply only if the condition in the next succeeding sentence is satisfied and then only within the limitations provided in the last sentence of this paragraph. The grantor of the scholarship or fellowship grant must be an organization which is exempt from tax under section 290.05 (9), the United States, or an instrumentality or agency thereof, or a State, a Territory, or a possession of the United States, or any political subdivision thereof, or the District of Columbia. The amount of the scholarship or fellowship grant excluded under paragraph (a) (1) in any taxable year shall be limited to an amount equal to \$300 times the number of months for which the recipient received amounts under the scholarship or fellowship grant during such taxable year, except that no exclusion shall be allowed under paragraph (a) after the recipient has been entitled to exclude under this section for a period of 36 months (whether or not consecutive) amounts received as a scholarship or fellowship grant while not a candidate for a degree at an educational institution.*

(d) *For purposes of this clause, the term "educational institution" means only an educational institution which norm-*

*ally maintains a regular faculty and curriculum and normally has a regularly organized body of students, in attendance at the place where its educational activities are carried on.*

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

Approved February 15, 1955.

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CHAPTER 23—H. F. No. 266

*An act relating to taxes on and measured by net income; amending Minnesota Statutes 1953, Section 290.072.*

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

Section 1. Minnesota Statutes 1953, Section 290.072, is amended to read:

**290.072 Alimony payments reported for taxation.** Subdivision 1. *If a wife is divorced or legally separated from her husband under a decree of divorce or of separate maintenance, the wife's gross income, if she is a resident of the State of Minnesota, includes periodic payments (whether or not made at regular intervals) received after such decree in discharge of (or attributable to property transferred, in trust or otherwise, in discharge of) a legal obligation which, because of the marital or family relationship, is imposed on or incurred by the husband under the decree or under a written instrument incident to such divorce or separation.*

(2) *If a wife is separated from her husband and there is a written separation agreement, the wife's gross income, if she is a resident of the State of Minnesota, includes periodic payments (whether or not made at regular intervals) received after such agreement is executed which are made under such agreement and because of the marital or family relationship (or which are attributable to property transferred, in trust or otherwise, under such agreement and because of such relationship). This paragraph shall not apply if the husband and wife make a single return jointly.*

(3) *If a wife is separated from her husband, the wife's gross income, if she is a resident of the State of Minnesota, includes periodic payments (whether or not made at regular intervals) received by her from her husband under a decree requiring the husband to make the payments for her support*