

- (a) having one and only one class of stock outstanding,
- (b) all of the stockholders of which are entitled, solely by reason of their ownership of stock in the corporation, to occupy for dwelling purposes apartments in a building owned or leased by such corporation, and who are not entitled, either conditionally or unconditionally, except upon a complete or partial liquidation of the corporation, to receive any distribution not out of earnings and profits of the corporation, and
- (c) 80 percent or more of the gross income of which for the taxable year in which the taxes and interest described in this clause are paid or incurred is derived from tenant-stockholders.

The term "tenant-stockholder" means an individual who is a stockholder in a cooperative apartment corporation, and whose stock is fully paid-up in an amount not less than an amount shown to the satisfaction of the commissioner as bearing a reasonable relationship to the portion of the value of the corporation's equity in the building and the land on which it is situated which is attributable to the apartment which such individual is entitled to occupy.

Approved February 17, 1955.

CHAPTER 30—H. F. No. 195

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1953, Section 290.071.

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

Section 1. Minnesota Statutes 1953, Section 290.071, is amended to read:

290.071 Income from United States bonds, treatment of.
Subdivision 1. In the case of obligations of the United States issued at a discount and redeemable for fixed amounts increasing at stated intervals, a corporate taxpayer may at its election treat such increase as income for any taxable year beginning after December 31, 1940, notwithstanding the fact that such taxpayer files its returns on the cash basis.

Subd. 2. (1) If an individual or partnership engages in an employment as defined in paragraph (2), and the employment covers a period of 36 months or more (from the beginning to the completion of such employment), and the gross compensation from the employment received or accrued in the

taxable year of the individual or partnership is not less than 80 per cent of the total compensation from such employment, then the tax attributable to any part of the compensation which is included in the gross income of any individual shall not be greater than the aggregate of the taxes attributable to such part had it been included in the gross income of such individual ratably over that part of the period preceding the date of receipt or accrual.

(2) For purposes of this subdivision, the term "an employment" means an arrangement or series of arrangements for the performance of personal services by an individual or partnership to effect a particular result, regardless of the number of sources from which compensation therefor is obtained.

(3) An individual who is a member of a partnership receiving or accruing compensation from an employment of the type described in paragraph (1) shall be entitled to the benefits of that paragraph only if the individual has been a member of the partnership continuously for a period of 36 months or the period of the employment immediately preceding the receipt or accrual. In such a case the tax attributable to the part of the compensation which is includible in the gross income of the individual shall not be greater than the aggregate of the taxes which would have been attributable to that part had it been included in the gross income of the individual ratably over the period in which it was earned or the period during which the individual continuously was a member of the partnership, whichever period is the shorter. For purposes of this paragraph, a member of a partnership shall be deemed to have been a member of the partnership for any period, ending immediately prior to becoming such a member, in which he was an employee of such partnership, if during the taxable year he received or accrued compensation attributable to employment by the partnership during such period. This paragraph shall apply only to amounts received or accrued after December 31, 1954. Notwithstanding any other provisions of this Act, Minnesota Statutes 1953, section 290.071, subdivision 2 shall apply to amounts received or accrued as a partner on or before December 31, 1954 and to the computation of tax on amounts received or accrued on or before December 31, 1954.

Subd. 3. If (a) an individual includes in gross income amounts in respect of a particular invention or artistic work created by the individual; and (b) the work on the invention or the artistic work covered a period of 24 months or more (from the beginning to the completion thereof); and (c) the amounts in respect of the invention or the artistic work includible in gross income for the taxable year are not less than

80 percent of the gross income in respect of such invention or artistic work in the taxable year plus the gross income therefrom in previous taxable years and the 12 months immediately succeeding the close of the taxable year, then the tax attributable to the part of such gross income of the taxable year which is not taxable as a gain from the sale or exchange of a capital asset held for more than six months shall not be greater than the aggregate of the taxes attributable to such part had it been received ratably over, in the case of an invention, that part of the period preceding the close of the taxable year or 60 months, whichever is shorter, or, in the case of an artistic work, that part of the period preceding the close of the taxable year but not more than 36 months.

For purposes of this subdivision, (a) the term "invention" means a patent covering an invention of the individual, and (b) the term "artistic work" means a literary, musical, or artistic composition or a copyright covering a literary, musical, or artistic composition.

Subd. 4. If the amount of the back pay received or accrued by an individual during the taxable year exceeds 15 percent of the gross income of the individual for such year, the part of the tax attributable to the inclusion of such back pay in gross income for the taxable year shall not be greater than the aggregate of the increases in the taxes which would have resulted from the inclusion of the respective portions of such back pay in gross income for the taxable year to which such portions are respectively attributable, as determined under the regulations prescribed by the commissioner.

For purposes of the preceding paragraph, the term "back pay" means amounts includible in gross income which are one of the following: (A) remuneration, including wages, salaries, retirement pay, and other similar compensation, which is received or accrued during the taxable year by an employee for services performed prior to the taxable year for his employer and which would have been paid prior to the taxable year except for the intervention of one of the following events: (i) bankruptcy or receivership of the employer; (ii) dispute as to the liability of the employer to pay such remuneration, which is determined after the commencement of court proceedings; (iii) if the employer is the United States, a State, a Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any of the foregoing, lack of funds appropriate to pay such remuneration; or (iv) any other event determined to be similar in nature under regulations prescribed by the commissioner; and (B) wages or salaries which are received or accrued during the taxable year by an employee for services performed prior to the taxable year for

his employer and which constitute retroactive wage or salary increases ordered, recommended, or approved by any federal or state agency, and made retroactive to any period prior to the taxable year; and (C) payments which are received or accrued during the taxable year as the result of an alleged violation by an employer of any state or federal law relating to labor standards or practices, and which are determined under regulations prescribed by the commissioner to be attributable to a prior taxable year.

Subd. 5. Income attributable to the recovery during the year of a bad debt, on account of which a deduction or credit was allowed for a prior taxable year, shall be included in gross income only to the extent that the deduction or credit resulted in a reduction of the tax imposed by this chapter for such prior year.

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

Approved February 17, 1955.

CHAPTER 31—H. F. No. 267

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1953, Section 290.09.

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

Section 1. Minnesota Statutes 1953, 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 employee;

(2) The interest paid or accrued within the taxable year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations of securities the income from which is excludible from gross income under section