

Sec. 7. Minnesota Statutes 1953, Section 641.15 is amended to read:

**641.15 Prisoners; feeding, care.** The county board shall provide jail suits of coarse material, without distinctive marks, suitable underclothing, bedding, towels, and medical aid for prisoners, and fuel for the jail and the sheriff's residence. Unless otherwise furnished, the sheriff may require a prisoner to wear a jail suit during his confinement, but shall restore his own clothing upon discharge. No prisoner shall be required to wear clothing previously used until it has been thoroughly cleansed. The sheriff or jailer shall keep the jail in a clean and healthy condition, and have each prisoner's shirt washed at least once a week, and shall furnish to each sufficient clean water for drinking and bathing, and serve each three times a day with a sufficient quantity of wholesome, well cooked food. If the construction of the jail will permit persons held for trial to be kept separate from those serving sentence, a difference in their diet shall be made.

Sec. 8. Minnesota Statutes 1953, Section 641.21 is amended to read:

**641.21 Jail, advice from commissioner of public welfare as to construction.** When any county board determines to erect a new jail, or to repair an existing one at an expense of more than \$2,000, it shall pass a resolution to that effect, and transmit a copy thereof to the commissioner of public welfare, who, within 30 days thereafter, shall transmit to such county board such advice and suggestions in reference to the construction thereof as he deems proper.

Approved April 14, 1955.

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#### CHAPTER 426—H. F. No. 404

*An act relating to taxes on and measured by net income; amending Minnesota Statutes 1953, Section 290.07.*

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

Section 1. Minnesota Statutes 1953, Section 290.07, is amended to read:

**290.07 Net income, computation.** Subdivision 1. **Annual accounting period.** Net income and taxable net income shall be computed upon the basis of the taxpayer's annual accounting period. If a taxpayer has no annual accounting period, or has one other than a fiscal year, as heretofore defined,

the net income and taxable net income shall be computed on the basis of the calendar year. Taxpayers shall employ the same accounting period on which they report, or would be required to report, their net income under the federal income tax act.

A taxpayer may change his accounting period only with the consent of the commissioner. In case of any such change, he shall pay a tax for the period not included in either his former or newly adopted taxable year, computed as provided in section 290.32.

*Subd. 2. Exceptions. Except as specifically provided to the contrary by this chapter, net income and taxable net income shall be computed in accordance with the method of accounting regularly employed in keeping the taxpayer's books. If no such accounting system has been regularly employed, or if that employed does not clearly or fairly reflect income or the income taxable under this chapter, the computation shall be made in accordance with such method as in the opinion of the commissioner does clearly and fairly reflect income and the income taxable under this chapter.*

*Except as otherwise expressly provided in this chapter, a taxpayer who changes the method of accounting on the basis of which he regularly computes his income in keeping his books shall, before computing his net income and taxable net income under the new method, secure the consent of the commissioner.*

*Subd. 3. Change in accounting methods. (1) In computing the taxpayer's net income and taxable net income for any taxable year (referred to in this subdivision as the "year of the change"): (a) if such computation is under a method of accounting different from the method under which the taxpayer's net income and taxable net income for the preceding taxable year was computed, then (b) there shall be taken into account those adjustments which are determined to be necessary solely by reason of the change in order to prevent amounts from being duplicated or omitted, except there shall not be taken into account any adjustment in respect of any taxable year to which this subdivision does not apply.*

*(2) If (a) the method of accounting from which the change is made was used by the taxpayer in computing his net income and taxable net income for the two taxable years preceding the year of the change, and (b) the increase in net income and taxable net income for the year of the change which results solely by reason of the adjustments required by paragraph (1) (b) exceeds \$3,000, then the tax under this*

*chapter attributable to such increase in net income and taxable net income shall not be greater than the aggregate of the taxes under this chapter (or under the corresponding provisions of Minnesota Statutes 1953, Chapter 290) which would result if one-third of such increase were included in net income and taxable net income for the year of the change and one-third of such increase were included for each of the two preceding taxable years.*

(3) *If (a) the increase in net income and taxable net income for the year of the change which results solely by reason of the adjustments required by paragraph (1) (b) exceeds \$3,000, and (b) the taxpayer establishes his net income and taxable net income (under the new method of accounting) for one or more taxable years consecutively preceding the taxable year of the change for which the taxpayer in computing net income and taxable net income used the method of accounting from which the change is made, then the tax under this chapter attributable to such increase in net income and taxable net income shall not be greater than the net increase in the taxes under this chapter which would result if the adjustments required by paragraph (1) (b) were allocated to the taxable year or years specified in part (b) of this sentence to which they are properly allocable under the new method of accounting and the balance of the adjustments required by paragraph (1) (b) was allocated to the taxable year of the change.*

(4) *For purposes of paragraphs (2) and (3) there shall be taken into account the increase or decrease in tax for any taxable year preceding the year of the change to which no adjustment is allocated under paragraph (3) but which is affected by a net operating loss (as defined in section 290.095) or by a capital loss carryover (as defined in section 290.16, subdivision 6), determined with reference to taxable years with respect to which adjustments under paragraph (3) are allocated. The increase or decrease in the tax for any taxable year for which an assessment of any deficiency, or a credit or refund of any overpayment, is prevented by any law or rule of law, shall be determined by reference to the tax previously determined for such year.*

(5) *In the case of any change described in paragraph (1), the taxpayer may, in such manner and subject to such conditions as the commissioner may by regulations prescribe, take the adjustments required by paragraph (1) (b) into account in computing the tax imposed by this chapter for the taxable year or years permitted under such regulations.*

(6) *This subdivision shall not apply to a change to*

which subdivision 5 of this section (relating to change to installment method) applies.

**Subd. 4. Deductions allowable.** *If (a) an item was included in gross income for a prior taxable year (or years) because it appeared that the taxpayer had an unrestricted right to such item, and (b) a deduction is allowable for the taxable year because it was established after the close of such prior taxable year (or years) that the taxpayer did not have an unrestricted right to such item or to a portion of such item, and (c) the amount of such deduction exceeds \$3,000, then the tax imposed by this chapter for the taxable year shall be the lesser of the following: (d) the tax for the taxable year computed with such deduction; or (e) an amount equal to (1) the tax for the taxable year computed without such deduction, minus (2) the decrease in tax under this chapter for the prior taxable year (or years) which would result solely from the exclusion of such item (or portion thereof) from gross income for such prior taxable year (or years).*

*If the decrease in tax ascertained under part (e) (2) of the preceding paragraph exceeds the tax imposed by this chapter for the taxable year (computed without the deduction) such excess shall be considered to be a payment of tax on the last day prescribed by law for the payment of tax for the taxable year, and shall be refunded or credited in the same manner as if it were an overpayment for such taxable year. The preceding paragraph does not apply to any deduction allowable with respect to an item which was included in gross income by reason of the sale or other disposition of stock in trade of the taxpayer (or other property of a kind which would properly have been included in the inventory of the taxpayer if on hand at the close of the prior taxable year) or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business. This paragraph shall not apply if the deduction arises out of refunds or repayments made by a regulated public utility (as defined in section 1503 (c) of the Internal Revenue Code of 1954 without regard to paragraph (2) thereof) if such refunds or repayments are required to be made by the government, political subdivision, agency, or instrumentality referred to in such section.*

**Subd. 5. Property sold on installment plan.** (1) *Under regulations prescribed by the commissioner, a person who regularly sells or otherwise disposes of personal property on the installment plan may return as income therefrom in any taxable year that proportion of the installment payments actually received in that year which the gross profit, realized or*

*to be realized when payment is completed, bears to the total contract price.*

(2) *Income from a sale or other disposition of real property, or from a casual sale or other casual disposition of personal property (other than 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) for a price exceeding \$1,000, may (under regulations prescribed by the commissioner) be returned on the basis and in the manner prescribed in paragraph (1). The preceding sentence shall apply in the case of a sale or other disposition during a taxable year beginning after December 1, 1954 (whether or not such taxable year ends after the date of enactment of this act), only if in the taxable year of the sale or other disposition there are no payments or the payments (exclusive of evidences of indebtedness of the purchaser) do not exceed 30 percent of the selling price; and shall apply in the case of a sale or other disposition during a taxable year beginning after January 1, 1955, only if the income was returnable on the basis and in the manner prescribed in Minnesota Statutes 1953, section 290.07, subdivision 3(1).*

(3) *If an installment obligation is satisfied at other than its face value or distributed, transmitted, sold or otherwise disposed of, gain or loss shall result to the extent of the difference between the basis of the obligation, and (a) in the case of satisfaction at other than face value or a sale or exchange the amount realized, or (b) in case of a distribution, transmission or disposition otherwise than by sale or exchange the fair market value of the obligation at the time of such distribution, transmission, or disposition. Any gain or loss so resulting shall be considered as resulting from the sale or exchange of the property in respect of which the installment obligation was received. The basis of the obligation shall be the excess of the face value of the obligation over an amount equal to the income which would be returnable were the obligation satisfied in full. This subsection shall not apply to the transmission at death of installment obligations if there is filed with the commissioner, at such time as he may by regulation prescribe, a bond in such amount and with such sureties as he may deem necessary, conditioned upon the return as income, by the person receiving any payment on such obligations, of the same proportion of such payment as would be returnable as income by the decedent if he had lived and had received such payment. If an installment obligation is distributed by one corporation to another corporation in the course of a liquidation, and under Section 290.13, Subdivision 1 (6) no gain or loss with respect to the receipt of such ob-*

ligation is recognized in the case of the recipient corporation, then no gain or loss with respect to the distribution of such obligation shall be recognized in the case of the distributing corporation. *If an installment obligation is distributed by a corporation in the course of a liquidation, and under section 290.13, subdivision 1, no gain or loss would have been recognized to the corporation if the corporation had sold or exchanged such installment obligation on the day of such distribution, then no gain or loss shall be recognized to such corporation by reason of such distribution.*

(4) *If a taxpayer entitled to the benefits of paragraph (1) of this subdivision elects for any taxable year to report his net income and taxable net income on the installment basis, then in computing his net income and taxable net income for such year (referred to in this and the succeeding two paragraphs as "year of change") or for any subsequent year, (a) installment payments actually received during any such year on account of sales or other dispositions of property made in any taxable year before the year of change shall not be excluded; but (b) the tax imposed by this chapter for any taxable year (referred to in this and the succeeding two paragraphs as "adjustment year") beginning after December 31, 1954, shall be reduced by the adjustment computed under paragraph (5).*

(5) *In determining the adjustment referred to in paragraph (4) (b) first determine, for each taxable year before the year of change, the amount which equals the lesser of: (a) the portion of the tax for such prior taxable year which is attributable to the gross profit which was included in gross income for such prior taxable year, and which by reason of paragraph (4) (a) is includible in gross income for the taxable year, or (b) the portion of the tax for the adjustment year which is attributable to the gross profit described in subparagraph (a) of this paragraph. The adjustment referred to in paragraph (4) (b) for the adjustment year is the sum of the amounts determined under the preceding sentence.*

(6) *For purposes of paragraph (5), the portion of the tax for a prior taxable year, or for the adjustment year, which is attributable to the gross profit described in such paragraph is that amount which bears the same ratio to the tax imposed by this chapter (or by the corresponding provisions of prior Minnesota income tax laws) for such taxable year (computed without regard to paragraph (5)) as the gross profit described in such paragraph bears to the gross income for such taxable year.*

**Subd. 6. Items included in gross income. The amount**

of all items of gross income shall be included in the gross income for the taxable year in which received by the taxpayer, unless, under methods of accounting permitted under subdivision 2, such amounts are to be properly accounted for as of a different period. In the case of the death of a taxpayer whose net income is computed upon the basis of the accrual method of accounting, amounts (except amounts includible in computing a partner's net income under Section 290.31) accrued only by reason of the death of the taxpayer, shall not be included in computing net income for the period in which falls the date of the taxpayer's death.

**Subd. 7. Deductions, credits; time for taking.** The deductions and credits provided for in this chapter shall be taken for a taxable year in which "paid or accrued" or "paid and incurred," dependent upon the method of accounting upon the basis of which the net income is computed, unless in order to clearly reflect the income the deductions or credits should be taken as of a different period. In the case of the death of a taxpayer whose net income is computed upon the basis of the accrual method of accounting, amounts (except amounts includible in computing a partner's net income under section 290.31) accrued as deductions and credits only by reason of the death of the taxpayer shall not be allowed in computing net income for the period in which falls the date of the taxpayer's death.

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

Approved April 14, 1955.

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#### CHAPTER 427—H. F. No. 420

*An act relating to taxes and measured by net income; amending Minnesota Statutes 1953, Section 290.13, Subdivision 5.*

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

**Section 1.** Minnesota Statutes 1953, Section 290.13, Subdivision 5, is amended to read:

**Subd. 5. Conversion of property, loss.** *If property (as a result of its destruction in whole or in part, theft, seizure, or requisition or condemnation or threat or imminence thereof) is compulsorily or involuntarily converted*

(1) *Into property similar or related in service or use to the property so converted, no gain shall be recognized.*