

Sec. 2. This act shall be effective upon its approval by a majority of the members of the board of county-commissioners of Dodge county and upon compliance with Laws 1959, Chapter 368.

Approved June 30, 1959.

EXTRA SESSION

CHAPTER 70—H. F. No. 1

[Coded in Part]

An act relating: to the listing and classification of property for ad valorem taxation, exempting certain property therefrom, permitting county option on taxability of certain property, and relating to the effect of such exemption on indebtedness, mill rates, school aids and salaries; to taxes on and measured by net income, providing for certain exclusions and deductions from income, including additional bad debt reserves to savings and loan associations and accelerated first year depreciation to taxpayers, permitting husband and wife to change election to file joint or separate returns, increasing the rates on individuals, corporations, banks and other taxpayers, imposing additional privilege and income taxes on corporations, individuals, banks, estates and trusts and providing for the distribution of the proceeds, increasing certain credits, changing the filing requirements; to the inheritance tax and transfer taxes, changing classifications and imposing new rates and exemptions; to gift taxes, changing classifications, imposing new rates and allowing tax credits; to a tax on cigarettes, distributors thereof and the use thereof, imposing new rates, reducing the discount allowed distributors, and permitting the sale of tax-free cigarettes to certain persons; to a tax on tobacco products, distributors thereof and the use thereof, imposing new rates, reducing the discount allowed distributors; to the occupation tax upon the business of mining and producing iron ore and other ores, imposing new rates and additional taxes on such occupation and adjusting the labor credits allowed and providing for the distribution thereof; to a tax on royalties by imposing new rates and additional taxes, allowing labor credits and providing for the distribution thereof; to a tax on intoxicating liquor by imposing an additional tax thereon and providing for the distribution thereof; to the tax on fermented malt beverages by increasing the rates thereon and providing for the distribu-

tion thereof; to a tax upon the making, signing, issuance, or selling of certain deeds, instruments, or writings, imposing duties and liabilities upon grantors and vendors with respect thereto, providing for its collection, prescribing powers and duties of the commissioner of taxation in connection therewith, providing for its distribution, providing for certain exemptions therefrom, imposing certain duties upon the state treasurer, county auditors and treasurers, registers of deeds and registrars of titles in connection therewith, imposing certain restrictions upon the filing and use of certain deeds, instruments, and writings in connection therewith, defining certain crimes in connection therewith, and appropriating moneys in connection therewith; amending Minnesota Statutes 1957, Sections 273.01, 273.13, Subd. 5, 275.02, 290.06, Subd. 1, 290.06, Subd. 2, 290.06, Subd. 3, 290.06, Subd. 4, 290.06, Subd. 5, 290.08, Subd. 5, 290.09, 290.095, Subd. 2, 290.361, Subd. 2, 290.361, Subd. 6, 290.37, Subd. 1, as amended, 290.37, by adding a subdivision thereto, 290.38, 290.62, as amended, 291.03, 291.05, 292.06, 292.07, Subd. 2, 292.07, Subd. 3, 292.07, Subd. 5, 297.02, Subd. 1, 297.03, Subd. 5, 297.03, by adding a subdivision thereto, 297.22, Subd. 1, 297.32, Subd. 1, 297.32, Subd. 2, 297.32, by adding subdivisions thereto, 297.35, Subd. 1, 298.01, Subd. 2, 298.011, 298.02, Subd. 1, 299.01, Subd. 2, 299.011, 299.05, 299.07, 299.08, 299.09, 299.10, 340.47, Subd. 2, 340.47, by adding a subdivision thereto, 382.19, and repealing Minnesota Statutes 1957, Section 291.04.

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

ARTICLE I

Section 1. Minnesota Statutes 1957, Section 273.01 is amended to read:

Listing and assessment, time. All real property subject to taxation shall be listed and assessed every even-numbered year with reference to its value on May first preceding the assessment, and all real property becoming taxable any intervening year shall be listed and assessed with reference to its value on May first of that year. Real property containing iron ore, the fee to which is owned by the state of Minnesota, shall, if leased by the state after May first in any year, be subject to assessment for that year on the value of any iron ore removed under said lease prior to May first of the following year. Personal property *subject to taxation* shall be listed and assessed annually with reference to its value on May first; and, if acquired on that day, shall be listed by or for the person acquiring it.

Section 2. Minnesota Statutes 1957, Section 273.13, Subdivision 5, is amended to read:

Subd. 5. Class 3a. All agricultural products in the hands of the producer shall constitute class three "a" and shall be valued and assessed at ten percent of the full and true value thereof. Provided, however, that *grain in the hands of the producer shall be exempt from taxation* and there shall be no assessment of such grain. Wine produced in this state and in the possession of the producer and held in storage under bond to the United States government, shall be classed as agricultural products for the purposes of this section.

Section 3. *The provisions of this article shall apply to taxes for the year of 1959 and subsequent years.*

ARTICLE II

Section 1. Minnesota Statutes 1957, Section 275.02, is amended to read:

275.02 Legislative levy, exceptions; certification of tax rate. The state tax shall be levied by the legislature *on all taxable property in the state, except class 2 property as defined in section 273.13* and the rate of such tax shall be certified by the state auditor to each county auditor on or before November 15 annually. He shall notify each county auditor of the amount due the state from his county on account of school textbooks furnished such county, and each county auditor so notified shall levy a tax sufficient to meet such indebtedness, which tax shall be levied and collected and paid into the state treasury in the same manner as other state taxes.

Sec. 2. [272.61] Personal property, county option to exempt from taxation. *The county board of any county may exempt from taxation all class 2 property as defined in section 273.13, situated within the county.*

Sec. 3. [272.62] Household personal property exemption, county option to repeal. *The county board of any county may repeal, for the purposes of taxation in such county, the exemption on household personal property prescribed in Minnesota Statutes 1957, Chapter 272.*

Sec. 4. [272.63] County determining taxability. *In the case of taxing districts lying within more than one county, the determination of the taxability of class 2 property as defined in Minnesota Statutes 1957, Section 273.13, for the purpose of such taxing district levy and the determination of the exemption on personal property of a household prescribed*

in Minnesota Statutes 1957, Section 272.02 for the purpose of such taxing district levy shall be made by the county in which the principal taxing district building is located. In the case of school districts, such building shall be the principal school building. In the case of cities, such building shall be the city hall. In the case of villages, such building shall be the village hall. In the case of any other taxing district, such building shall be the building in which the principal offices of the taxing district are located. In the event the county in which the principal building is located elects to exempt class 2 personal property, such property shall be exempt in any other county for the purpose of the levy of such taxing district. In the event the county in which the principal building is located elects to repeal the exemption of personal property, such exemption shall be repealed in any other county for the purpose of the levy of such taxing district.

Sec. 5. [272.64] Bonded indebtedness, increase in counties without personal property tax. *Any county which has elected to exempt class 2 property or any taxing district which lies within such county shall be allowed to increase its bonded indebtedness or the mill rate limitations otherwise imposed by statute in the ratio that its taxable class 2 property bears to all of its taxable property determined as of the date of the last assessment of class 2 property.*

Sec. 6. Minnesota Statutes 1957, Section 382.19, is amended to read:

382.19 Reduction in assessed valuation, salaries. *The salary, compensation, or allowances of county officers, including judges of probate, their deputies and assistants, as now or hereafter provided by law shall not be reduced or diminished by reason of reduction in the assessed valuation of property in any county due to the omission of motor vehicles from the tax rolls thereof under any law enacted or hereafter enacted pursuant to the provisions of the Constitution of the State of Minnesota, Article 16 or by reason of the exemption of class 2 property pursuant to the provisions of section 2.*

Sec. 7. [272.65] School aids, counties without personal property tax. *Any property exempt from taxation pursuant to section 2 shall be considered as taxable property in the determination of school aids pursuant to Minnesota Statutes, Chapter 128.*

The amount of such exempt property shall be the adjusted assessed value of such class 2 property on the date of the last assessment of such property.

Sec. 8. [272.66] **Rescission of election not to tax.** *Any county electing to exempt class 2 property as provided in this article for the year 1959 shall make such election before October 10, 1959, and in any subsequent year such election or any rescission of such an election shall be made before May 1 of such year.*

Sec. 9. *Notwithstanding Minnesota Statutes 1957, Section 645.20, if any provision of sections 1 to 5 is found to be unconstitutional and void, the remaining provisions shall be of no effect.*

ARTICLE III

Section 1. Minnesota Statutes 1957, Section 290.06, Subdivision 1, is amended to read:

290.06 Subdivision 1. **Computation, corporations.** The privilege and income taxes imposed by this chapter upon corporations shall be computed by applying to their taxable net income in excess of the applicable credits allowed under section 290.21 the rate of *seven and one-half* percent. The amount of tax payable by a corporation required to file a return shall not be less than \$10.

Sec. 2. Minnesota Statutes 1957, Section 290.06, Subdivision 2, is amended to read:

Subd. 2. **Computation; individuals, estates and trusts.**

(a) The income taxes imposed by this chapter upon individuals, estates, and trusts, other than those taxable as corporations, shall be computed by applying to their taxable net income in excess of the applicable credits allowed by section 290.21 the following schedule of rates:

- (1) On the first \$500, one percent;
- (2) On the second \$500, *one and one-half* percent;
- (3) On the next \$1,000, *two and one-half* percent;
- (4) On the next \$1,000, *three and one-half* percent;
- (5) On the next \$1,000, *four and one-half* percent;
- (6) On the next \$1,000, *five and one-half* percent;
- (7) On the next \$2,000, *six and one-half* percent;
- (8) On the next \$2,000, *seven and one-half* percent;
- (9) On the next \$3,500, *eight and one-half* percent;
- (10) On all over \$12,500, and not over \$20,000, *nine and one-half* percent;
- (11) On the remainder, *ten and one-half* percent.

(b) In lieu of a tax computed according to the rates

set forth in clause (a) of this subdivision, the tax of any individual taxpayer whose adjusted gross income for the taxable year is less than \$10,000, at his election shall be computed according to the following schedule:

If adjusted gross income is —

At least	But less than	The tax shall be
\$ 0	\$ 50	\$.25
50	100	.70
100	150	1.15
150	200	1.60
200	250	2.05
250	300	2.50
300	350	2.95
350	400	3.40
400	450	3.85
450	500	4.30
500	550	4.75
550	600	5.30
600	650	5.95
650	700	6.65
700	750	7.30
750	800	8.00
800	850	8.65
850	900	9.35
900	950	10.00
950	1,000	10.70
1,000	1,050	11.35
1,050	1,100	12.05
1,100	1,150	12.85
1,150	1,200	13.95
1,200	1,250	15.10
1,250	1,300	16.20
1,300	1,350	17.35
1,350	1,400	18.45
1,400	1,450	19.60
1,450	1,500	20.70
1,500	1,550	21.85
1,550	1,600	22.95
1,600	1,650	24.10
1,650	1,700	25.20
1,700	1,750	26.35
1,750	1,800	27.45
1,800	1,850	28.60
1,850	1,900	29.70
1,900	1,950	30.85
1,950	2,000	31.95

2,000	2,050	33.10
2,050	2,100	34.20
2,100	2,150	35.35
2,150	2,200	36.45
2,200	2,250	37.60
2,250	2,300	39.20
2,300	2,350	40.75
2,350	2,400	42.35
2,400	2,450	43.90
2,450	2,500	45.50
2,500	2,550	47.05
2,550	2,600	48.65
2,600	2,650	50.20
2,650	2,700	51.80
2,700	2,750	53.35
2,750	2,800	54.95
2,800	2,850	56.50
2,850	2,900	58.10
2,900	2,950	59.65
2,950	3,000	61.25
3,000	3,050	62.80
3,050	3,100	64.40
3,100	3,150	65.95
3,150	3,200	67.55
3,200	3,250	69.10
3,250	3,300	70.70
3,300	3,350	72.25
3,350	3,400	74.20
3,400	3,450	76.25
3,450	3,500	78.25
3,500	3,550	80.30
3,550	3,600	82.30
3,600	3,650	84.35
3,650	3,700	86.35
3,700	3,750	88.40
3,750	3,800	90.40
3,800	3,850	92.45
3,850	3,900	94.45
3,900	3,950	96.50
3,950	4,000	98.50
4,000	4,050	100.55
4,050	4,100	102.55
4,100	4,150	104.60
4,150	4,200	106.60
4,200	4,250	108.65
4,250	4,300	110.65
4,300	4,350	112.70

Sec. 2
Sched. 2(h)

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EXTRA SESSION LAWS

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4,350	4,400	114.70
4,400	4,450	116.75
4,450	4,500	119.05
4,500	4,550	121.50
4,550	4,600	124.00
4,600	4,650	126.45
4,650	4,700	128.95
4,700	4,750	131.40
4,750	4,800	133.90
4,800	4,850	136.35
4,850	4,900	138.85
4,900	4,950	141.30
4,950	5,000	143.80
5,000	5,050	146.25
5,050	5,100	148.75
5,100	5,150	151.20
5,150	5,200	153.70
5,200	5,250	156.15
5,250	5,300	158.65
5,300	5,350	161.10
5,350	5,400	163.60
5,400	5,450	166.05
5,450	5,500	168.55
5,500	5,550	171.00
5,550	5,600	173.65
5,600	5,650	176.60
5,650	5,700	179.50
5,700	5,750	182.45
5,750	5,800	185.35
5,800	5,850	188.30
5,850	5,900	191.20
5,900	5,950	194.15
5,950	6,000	197.05
6,000	6,050	200.00
6,050	6,100	202.90
6,100	6,150	205.85
6,150	6,200	208.75
6,200	6,250	211.70
6,250	6,300	214.60
6,300	6,350	217.55
6,350	6,400	220.45
6,400	6,450	223.40
6,450	6,500	226.30
6,500	6,550	229.25
6,550	6,600	232.15
6,600	6,650	235.10
6,650	6,700	238.00

6,700	6,750	240.95
6,750	6,800	243.85
6,800	6,850	246.80
6,850	6,900	249.70
6,900	6,950	252.65
6,950	7,000	255.55
7,000	7,050	258.50
7,050	7,100	261.40
7,100	7,150	264.35
7,150	7,200	267.25
7,200	7,250	270.20
7,250	7,300	273.10
7,300	7,350	276.05
7,350	7,400	278.95
7,400	7,450	281.90
7,450	7,500	284.80
7,500	7,550	287.75
7,550	7,600	290.65
7,600	7,650	293.60
7,650	7,700	296.50
7,700	7,750	299.45
7,750	7,800	302.35
7,800	7,850	305.70
7,850	7,900	309.10
7,900	7,950	312.45
7,950	8,000	315.85
8,000	8,050	319.20
8,050	8,100	322.60
8,100	8,150	325.95
8,150	8,200	329.35
8,200	8,250	332.70
8,250	8,300	336.10
8,300	8,350	339.45
8,350	8,400	342.85
8,400	8,450	346.20
8,450	8,500	349.60
8,500	8,550	352.95
8,550	8,600	356.35
8,600	8,650	359.70
8,650	8,700	363.10
8,700	8,750	366.45
8,750	8,800	369.85
8,800	8,850	373.20
8,850	8,900	376.60
8,900	8,950	379.95
8,950	9,000	383.35
9,000	9,050	386.70

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9,050	9,100	390.10
9,100	9,150	393.45
9,150	9,200	396.85
9,200	9,250	400.20
9,250	9,300	403.60
9,300	9,350	406.95
9,350	9,400	410.35
9,400	9,450	413.70
9,450	9,500	417.10
9,500	9,550	420.45
9,550	9,600	423.85
9,600	9,650	427.20
9,650	9,700	430.60
9,700	9,750	433.95
9,750	9,800	437.35
9,800	9,850	440.70
9,850	9,900	444.10
9,900	9,950	447.45
9,950	10,000	450.85

Sec. 3. Minnesota Statutes 1957, Section 290.06, Subdivision 3, is amended to read:

Subd. 3. **Credits against tax.** The taxes due under the foregoing computation shall be credited with the following amounts:

(1) In the case of an unmarried individual, and, except as provided in paragraph 6, in the case of the estate of a decedent, \$10, and in the case of a trust, \$5;

(2) In the case of a married individual, living with husband or wife, and in the case of a head of a household, \$30. If such husband and wife make separate returns the personal exemption may be taken by either or divided between them;

(3) In the case of an individual, \$14 for each person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer. One taxpayer only shall be allowed this credit with respect to any given dependent. In the case of the head of the household, a credit for one dependent shall be disallowed. A payment to a divorced or separated wife, other than a payment of the kind referred to in section 290.072, subdivision 3, shall not be considered a payment by the husband for the support of any dependent.

(4) (a) In the case of an unmarried individual who has attained the age of 65 before the close of his taxable year, an additional \$10;

(b) In the case of an unmarried individual who is blind at the close of the taxable year, an additional \$10;

(c) In the case of a married individual, living with husband or wife, an additional \$15 for each spouse who has attained the age of 65 before the close of the individual's taxable year, and an additional \$15 for each spouse who is blind at the close of the individual's taxable year. If such husband and wife make separate returns, these credits may be taken by either or divided between them;

(d) For the purposes of sub-paragraphs (b) and (c) of paragraph (4), an individual is blind if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(5) In the case of an insurance company, it shall receive a credit on the tax computed as above equal in amount to any taxes based on premiums paid by it during the period for which the tax under this act is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by Extra Session Laws 1933, Chapter 53, as amended;

(6) If the status of a taxpayer, insofar as it affects the credits allowed under paragraphs 1, 2 and 3 shall change during the taxable year, or if the taxpayer shall either become or cease to be a resident of the state during such taxable year, such credit shall be apportioned, in accordance with the number of months before and after such change. For the purpose of such apportionment, a fractional part of a month shall be disregarded unless more than one-half of the month, in which case it shall be considered as a month. In case of death during a taxable year a credit shall be allowed to the decedent, in proportion to the number of months before his death, and to his estate, in proportion to the number of months after his death, and in any event a minimum credit of \$5 shall be allowed to the decedent and his estate, respectively;

(7) In the case of a non-resident individual, credits under paragraphs 1, 2, 3 and 4 shall be apportioned in the proportion of the gross income from sources in Minnesota to the gross income from all sources, and in any event a minimum credit of \$5 shall be allowed.

Sec. 4. Minnesota Statutes 1957, Section 290.06, Subdivision 4, is amended to read:

Subd. 4. Additional privilege and income tax upon cor-

porations other than banks. *There is hereby imposed on all corporations (other than banks) required to file a return under the provisions of Chapter 290 an additional privilege and income tax equal to 1.8 percent of all taxable net income attributable to this state less credit allowed by section 290.21 and section 290.06, subdivision 3 (5).* This subdivision shall apply to all taxable years which begin after December 31, 1958, and prior to January 1, 1961. The proceeds of the tax imposed by this subdivision shall be deposited in the state treasury to the credit of the *income tax school fund*. There shall be paid from this *income tax school fund* all refunds of such taxes erroneously collected from taxpayers under this chapter as provided herein.

Sec. 5. Minnesota Statutes 1957, Section 290.06, Subdivision 5, is amended to read:

Subd. 5. **Surtax upon individuals, estates and trusts.** The rates of taxation fixed by subdivision 2 as the several rates to be applied in computing the income taxes imposed by this chapter upon individuals, estates, and trusts, other than those taxable as corporations, after deducting the credits allowable under section 290.06, subdivision 3, are increased *ten* percent of such respective rates; provided, however, that if the taxpayer elects to compute his tax according to the schedule of taxes contained in subdivision 2(b), that tax, less the credits allowable under section 290.06, subdivision 3, shall be increased by *ten* percent. This subdivision shall apply to all taxable years which begin after December 31, 1958, and prior to January 1, 1961. The increase of the rates of taxation of the income taxes imposed by this chapter upon individuals, estates, and trusts, other than those taxable as corporations, and the increase of taxes of those taxpayers who elect to compute their taxes according to the schedule of taxes contained in subdivision 2 (b), shall hereafter be known as the surtax upon individuals other than corporations. The proceeds of the surtax imposed by this subdivision shall be deposited in the state treasury to the credit of the *general revenue fund in the manner provided in section 14.*

Sec. 6. Minnesota Statutes 1957, Section 290.08, Subdivision 5, is amended to read:

Subd. 5. **Compensation for death, sickness or injury; employer contributions to health plans.** (a) Amounts received as compensation for personal injuries or sickness by the injured or sick taxpayer, whether received under accident or health insurance contracts, workmen's compensation acts, any plan maintained by employers for such purpose, or by way

of damages received in any suit or by agreement; provided, that any such amounts received as wages or payments in lieu of wages for a period during which the employee is absent from work on account of personal injuries or sickness shall be excluded from gross income to the extent that such amounts do not exceed a weekly rate of \$100. In the case of a period during which the employee is absent from work on account of sickness, the preceding clause shall not apply to amounts attributable to the first 7 calendar days in such period unless the employee is hospitalized on account of sickness for at least one day during such period. If such amounts are not paid on the basis of a weekly pay period, the commissioner shall by regulation prescribe the method of determining the weekly rate at which such amounts are paid.

(b) Amounts received as compensation for the death of any member of the taxpayer's family (*except that the provisions of this paragraph shall not apply to any amounts to which subdivision 3 (b) applies*), whether received under insurance contracts, workmen's compensation acts, or by way of damages received in a suit or by agreement; and amounts received under an 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 words "compensation" and "damages," as used in this *subdivision*, shall include reimbursement for medical, hospital, and funeral expenses in connection with such sickness, injury, or death.

(c) *Contributions by an employer to accident or health plans for compensation (through insurance or otherwise) to his employee for personal injuries or sickness.*

Sec. 7. Minnesota Statutes 1957, 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)] (a) *In General. There shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including*

(1) *A reasonable allowance for salaries or other compensation for personal services actually rendered;*

(2) *Traveling expenses (including the entire amount expended for meals and lodging) while away from home in the pursuit of a trade or business; and*

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190.09 [(1)](a)(3)

(3) *Rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity. For purposes of the preceding sentence, the place of residence of a member of Congress within the state shall be considered his home, but amounts expended by such members within each taxable year for living expenses shall not be deductible for income tax purposes in excess of \$3,000.*

(b) *Expenses for Production of Income. In the case of an individual, there shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year*

(1) *For the production or collection of income;*

(2) *For the management, conservation, or maintenance of property held for the production of income; or*

(3) *In connection with the determination, collection, or refund of any tax.*

(c) *Within the following listed limitations any part of his campaign expenditures not subsequently reimbursed, which have been personally paid by a candidate for public office if the candidate has complied with the expenditure limitations set out in Minnesota Statutes, Section 211.06:*

(1) A candidate for governor or United States Senator	\$5,000
(2) A candidate for other state office or United States Representative	3,500
(3) A candidate for State Senator	500
(4) A candidate for State Representative	500
(5) A candidate for presidential elector at large	500
(6) A candidate for presidential elector from a congressional district	100
(7) A candidate for any other public office	1/4 annual salary.

(No deduction shall be allowed under this clause for any contribution or gift which would be allowable as a credit under section 290.21 were it not for the percentage limitations set forth in such section);

(d) *All expense money paid by the legislature to legislators.*

(2) (a) All interest paid or accrued within the taxable year on indebtedness, except as hereinafter provided.

(b) Interest paid or accrued within the taxable year on indebtedness incurred or continued to purchase or carry obligations or securities the income from which is excludable from gross income under section 290.08, or on indebtedness incurred or continued in connection with the purchasing or carrying of a single premium life insurance, annuity, or endowment contract, shall not be allowed as a deduction. (For purposes of this paragraph, a contract shall be treated as a single premium contract if substantially all the premiums on the contract are paid within a period of four years from the date on which the contract is purchased, or if an amount is deposited after January 1, 1955 with the insurer for payment of a substantial number of future premiums on the contract.)

(c) If personal property is purchased under a contract which provides that payment of part or all of the purchase price is to be made in installments, and in which carrying charges are separately stated but the interest charge cannot be ascertained, then the payments made during the taxable year under the contract shall be treated for purposes of this paragraph as if they included interest equal to 6 percent of the average unpaid balance under the contract during the taxable year, and such interest shall be allowed as a deduction. For purposes of the preceding sentence, the average unpaid balance is the sum of the unpaid balance outstanding on the first day of each month beginning during the taxable year, divided by 12. In the case of any contract to which this paragraph applies, the amount treated as interest for any taxable year shall not exceed the aggregate carrying charges which are properly attributable to such taxable year.

(3) Taxes paid or accrued within the taxable year, except (a) income or franchise taxes imposed by this chapter; and (b) taxes assessed against local benefits of a kind deemed in law to increase the value of the property assessed; and (c) inheritance, gift and estate taxes. Income taxes permitted to be deducted hereunder shall, regardless of the methods of accounting employed, be deductible only in the taxable year in which paid. Taxes imposed upon a shareholder's interest in a corporation which are paid by the corporation without reimbursement from the shareholder shall be deductible only by such corporation;

(4) (a) *General Rule.* There shall be allowed as a deduction any loss sustained during the taxable year and not compensated for by insurance or otherwise.

(b) Amount of Deduction. For purposes of paragraph (a), the basis for determining the amount of the deduction for any loss shall be the adjusted basis provided in sections 290.14 and 290.15 for determining the loss from the sale or other disposition of property.

(c) Limitation on Losses of Individuals. In the case of an individual, the deduction under paragraph (a) shall be limited to

(1) Losses incurred in a trade or business;

(2) Losses incurred in any transaction entered into for profit, though not connected with a trade or business; and

(3) Losses of property not connected with a trade or business, if such losses arise from fire, storm, shipwreck, or other casualty, or from theft. No loss described in this paragraph shall be allowed if, at the time of the filing of the return, such loss has been claimed for inheritance tax purposes.

(d) Wagering Losses. Losses from wagering transactions shall be allowed only to the extent of the gains from such transactions.

(e) Theft Losses. For purposes of paragraph (a), any loss arising from theft shall be treated as sustained during the taxable year in which the taxpayer discovers such loss.

(f) Capital Losses. Losses from sales or exchanges of capital assets shall be allowed only to the extent allowed in section 290.16.

(g) Worthless Securities.

(1) *General Rule.* If any security which is a capital asset becomes worthless during the taxable year, the loss resulting therefrom shall, for purposes of this chapter, be treated as a loss from the sale or exchange, on the last day of the taxable year, of a capital asset.

(2) *Security Defined.* For purposes of this paragraph, the term "security" means:

(A) A share of stock in a corporation;

(B) A right to subscribe for, or to receive, a share of stock in a corporation; or

(C) A bond, debenture, note, or certificate, or other evidence of indebtedness, issued by a corporation or by a

government or political subdivision thereof, with interest coupons or in registered form.

(3) *Securities in Affiliated Corporation.* For purposes of paragraph (1), any security in a corporation affiliated with a taxpayer which is a domestic corporation shall not be treated as a capital asset. For purposes of the preceding sentence, a corporation shall be treated as affiliated with the taxpayer only if:

(A) At least 95 percent of each class of its stock is owned directly by the taxpayer, and

(B) More than 90 percent of the aggregate of its gross receipts for all taxable years has been from sources other than royalties, rents (except rents derived from rental from properties to employees of the corporation in the ordinary course of its operating business), dividends, interest (except interest received on deferred purchase price of operating assets sold), annuities, and gains from sales or exchanges of stocks and securities. In computing gross receipts for purposes of the preceding sentence, gross receipts from sales or exchanges of stocks and securities shall be taken into account only to the extent of gains therefrom.

(5)(a) *General Rule.*

(1) *Wholly worthless debts.* There shall be allowed as a deduction any debt which becomes worthless within the taxable year.

(2) *Partially worthless debts.* When satisfied that a debt is recoverable only in part, the commissioner may allow such a debt, in an amount not in excess of the part charged off within the taxable year, as a deduction.

(b) *Amount of Deduction.* For purposes of paragraph (a), the basis for determining the amount of the deduction for any bad debt shall be the adjusted basis provided in sections 290.14 and 290.15 for determining the loss from the sale or other disposition of property.

(c) *Reserve for Bad Debts.* In lieu of any deduction under paragraph (a), there shall be allowed (in the discretion of the commissioner) a deduction for a reasonable addition to a reserve for bad debts. Provided that banks taxable under the provisions of Minnesota Statutes 1957, Section 290.361, which have heretofore in any taxable year taken such deductions by the reserve method for federal income tax purposes pursuant to the Federal Internal Revenue Code of 1954

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and regulations adopted pursuant thereto may take such deductions by the same method; and provided further that each savings, building and loan association may take as a reasonable addition to reserve for bad debts such sums as are permitted to such associations for federal income tax purposes under Section 593 of the Federal Internal Revenue Code of 1954, but the deductions by any such association for any one year shall not exceed $\frac{3}{10}$ of one percent of the outstanding share capital as of the beginning of the taxable year or ten percent of the net earnings of such year, before the deduction of interest or dividends payable to its members, whichever is greater.

(d) *Nonbusiness Debts.*

(1) *General Rule.* In the case of a taxpayer other than a corporation:

(A) Paragraphs (a) and (c) shall not apply to any nonbusiness debt; and

(B) Where any nonbusiness debt becomes worthless within the taxable year, the loss resulting therefrom shall be considered a loss from the sale or exchange, during the taxable year, of a capital asset held for not more than 6 months.

(2) For purposes of subparagraph (1), the term "non-business debt" means a debt other than:

(A) A debt created or acquired (as the case may be) in connection with a trade or business of the taxpayer; or

(B) A debt the loss from the worthlessness of which is incurred in the taxpayer's trade or business.

(e) *Worthless Securities.* This section shall not apply to a debt which is evidenced by a security as defined in section 290.09 (4) (g) (2) (C).

(f) *Guarantor of Certain Noncorporate Obligations.* A payment by the taxpayer (other than a corporation) in discharge of part or all of his obligation as a guarantor, endorser, or indemnitor of a noncorporate obligation the proceeds of which were used in the trade or business of the borrower shall be treated as a debt becoming worthless within such taxable year for purposes of this subdivision (except that paragraph (d) shall not apply), but only if the obligation of the borrower to the person to whom such payment was made was worthless (without regard to such guaranty, endorsement, or indemnity) at the time of such payment.

(6) [(A)] (a) *There shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence):*

- (1) *of property used in the trade or business, or*
- (2) *of property held for the production of income.*

(b) *The term "reasonable allowance" as used in clause (a) shall include (but shall not be limited to) an allowance computed in accordance with regulations prescribed by the Commissioner, under any of the following methods:*

(1) *the straight line method.*

(2) *the declining balance method, using a rate not exceeding twice the rate which would have been used had the annual allowance been computed under the method described in paragraph (1).*

(3) *the sum of the years-digits method, and*

(4) *any other consistent method productive of an annual allowance, which, when added to all allowances for the period commencing with the taxpayer's use of the property and including the taxable year, does not, during the first two-thirds of the useful life of the property, exceed the total of such allowances which would have been used had such allowances been computed under the method described in (2). Nothing in this clause (b) shall be construed to limit or reduce an allowance otherwise allowable under clause (a).*

(c) *Paragraphs (2), (3), and (4) of clause (b) shall apply only in the case of property (other than intangible property) described in clause (a) with a useful life of 3 years or more.*

(1) *the construction, reconstruction, or erection of which is completed after December 31, 1958, and then only to that portion of the basis which is properly attributable to such construction, reconstruction, or erection after December 31, 1958, or*

(2) *acquired after December 31, 1958, if the original use of such property commenced with the taxpayer and commences after such date.*

(d) *Where, under regulations prescribed by the commissioner, the taxpayer and the commissioner have, after the date of enactment of this act, entered into an agreement in writing specifically dealing with the useful life and rate of*

depreciation of any property, the rate so agreed upon shall be binding on both the taxpayer and the commissioner in the absence of facts or circumstances not taken into consideration in the adoption of such agreement. The responsibility of establishing the existence of such facts and circumstances shall rest with the party initiating the modification. Any change in the agreed rate and useful life specified in the agreement shall not be effective for taxable years before the taxable year in which notice in writing by registered mail is served by the party to the agreement initiating such change.

(e) In the absence of an agreement under clause (d) containing a provision to the contrary, a taxpayer may at any time elect in accordance with regulations prescribed by the commissioner to change from the method of depreciation prescribed in clause (b) (2) to the method described in clause (c) (1).

(f) The basis on which exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the adjusted basis provided in sections 290.14 and 290.15 for the purpose of determining the gain on the sale or other disposition of such property.

(g) In the case of property held by one person for life with remainder to another person, the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant. In the case of property held in trust the allowable deduction shall be apportioned between the income beneficiary and the trustee in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the trust income allocable to each. In the case of an estate, the allowable deduction shall be apportioned between the estate and the heirs, legatees, and devisees on the basis of the income of the estate allocable to each.

(h) In the case of buildings or other structures or improvements constructed or made on leased premises by a lessee, and the fixtures and machinery therein installed, the lessee alone shall be entitled to the allowance of this deduction;

7) In the case of mines, oil and gas wells, other natural deposits, and timber, a reasonable allowance for depletion. In the case of leases the deduction shall be equitably apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held by one person for life with remainder to another person, the deduction shall be computed as if the life tenant were the ab-

solute owner of the property and shall be allowed to the life tenant. In the case of property held in trust the allowable deduction shall be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the trust income allocable to each;

(8) The amount of the deduction under clauses (6) and (7) shall be computed on the basis specified in section 290.16;

(9) The deductions provided for herein shall be taken for the taxable year in which paid or accrued, dependent upon the method of accounting employed in computing net income, unless in order to clearly reflect income they should be taken as of a different year;

(10) No deductions shall be allowed unless the taxpayer, when thereunto requested by the commissioner, furnishes him with information sufficient to enable him to determine the validity and correctness thereof;

(11) Payments for expenses for hospital, nursing, medical, surgical, dental, and other healing services, including institutional care and treatment for the mentally ill and physically handicapped, and for medical supplies and ambulance hire, incurred by the taxpayer on account of sickness, mental illness, physical handicap or personal injury to himself or his dependents and premiums paid for hospitalization insurance including non-profit hospital service and non-profit medical service plans. Payments for traveling expenses shall not be deductible under the provisions of this subdivision. Payments for hotel or similar lodging expenses shall be deductible in the same manner as payments for hospital services, if the taxpayer or his dependent is not hospitalized but is nevertheless required to remain in a medical center away from his usual place of abode, for the purpose of receiving prescribed medical treatment;

(12) An allowance for amortization of war facilities to the extent that such deduction is finally allowed under section 168 of the Internal Revenue Code of 1954 provided no deduction has been claimed with respect thereto under clause (6) of this section or any other section, subdivision, or clause of this chapter;

(13) No amount shall be included in gross income by reason of the discharge, in whole or in part, within the tax-

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able year, of any indebtedness for which the taxpayer is liable, or subject to which the taxpayer holds property, if the indebtedness was incurred or assumed by a corporation, or by an individual in connection with property used in his trade or business, and such taxpayer makes and files a consent to the regulations prescribed under the last paragraph of this clause then in effect at such time and in such manner as the commissioner by regulation prescribes.

In such case, the amount of any income of such taxpayer attributable to any unamortized premium (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be included in gross income, and the amount of the deduction attributable to any unamortized discount (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be allowed as a deduction.

Where any amount is excluded from gross income under this clause the whole or a part of the amount so excluded from gross income shall be applied in reduction of the basis of any property held (whether before or after the time of the discharge) by the taxpayer during any portion of the taxable year in which such discharge occurred. The amount to be so applied (not in excess of the amount so excluded from gross income, reduced by the amount of any reduction disallowed under the preceding paragraph) and the particular properties to which the reduction shall be allocated, shall be determined under regulations (prescribed by the commissioner) in effect at the time of the filing of the consent by the taxpayer. The reduction shall be made as of the first day of the taxable year in which the discharge occurred, except in the case of property not held by the taxpayer on such first day, in which case it shall take effect as of the time the holding of the taxpayer began.

(14) An allowance for all taxable years beginning after December 31, 1954, for amortization of bond premiums in accordance with the provisions of section 171 of the Internal Revenue Code of 1954 adapted to the provisions of this chapter under regulations issued by the commissioner, but only to the extent that such deduction has not been allowed under any other section of this chapter.

(15) Periodic payments to a wife who is divorced or separated from her husband by order of court or by decree of divorce or separate maintenance, periodic payments to a wife, who is separated from her husband, made under a writ-

ten separation agreement, and periodic payments to a wife separated from her husband under a decree requiring the husband to make payments for her support or maintenance, received in discharge of, or attributable to property transferred in trust or otherwise in discharge of, a legal obligation imposed on the husband by such decree or by written instrument incident to such divorce or separation, shall be deductible from gross income of the husband except to the extent they are excluded from his gross income as provided in section 290.072, subdivision 2. The term "periodic payments" as used in this clause shall not include that part of any amount which is fixed by order of court or by the decree or written instrument as payable for the support of minor children of the husband. To the extent of the amount so fixed, the entire amount of such payment, if less than the total amount payable, shall be considered as payable for the support of minor children. Installment payments of lump sum obligations fixed in the decree or written instrument shall not be considered periodic payments under this clause, unless the total amount is to be paid within a period ending more than ten years from the date of the decree or instrument, and then only to the extent that installment payments paid during the taxable year do not exceed ten percent of the total amount so fixed.

(16) In lieu of all deductions provided for in this chapter other than those enumerated in section 290.18, subdivision 2, and in lieu of the credits enumerated in section 290.21, clause (2), an individual may claim or be allowed a standard deduction as follows:

(a) If his adjusted gross income is \$10,000 or more, the standard deduction shall be \$1,000.

(b) If his adjusted gross income is less than \$10,000, the standard deduction shall be an amount equal to ten percent thereof; in such case the standard deduction will be available only through the use of the schedule of taxes provided in section 290.06, subdivision 2.

In the case of a husband and wife living together, the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction. For the purposes of this paragraph the determination of whether an individual is living with his spouse shall be made as of the last day of the taxable year unless the spouse dies during the taxable year in which case such determination shall be made as of the date of such spouse's death.

If a taxable year is less than 12 months because of a change in the accounting period or because of a change in domicile, the standard deduction shall not be allowed.

(17) Notwithstanding the provisions of section 290.10 (2), all expenditures (other than expenditures for the purchase of land or depreciable property or for the acquisition of circulation through the purchase of any part of the business of another publisher of a newspaper, magazine, or other periodical) to establish, maintain, or increase the circulation of a newspaper, magazine, or other periodical; except that the deduction shall not be allowed with respect to the portion of such expenditures as, under regulations prescribed by the commissioner, is chargeable to capital account if the taxpayer elects, in accordance with such regulations, to treat such portion as so chargeable. Such election, if made, must be for the total amount of such portion of the expenditures which is so chargeable to capital account, and shall be binding for all subsequent taxable years unless, upon application by the taxpayer, the commissioner permits a revocation of such election subject to such conditions as he deems necessary.

(18) In the case of a tenant-stockholder as defined herein, amounts, not otherwise deductible, paid or accrued to a cooperative apartment corporation within the taxable year, if such amounts represent that proportion of (a) the real estate taxes (allowable as deductions under clause (3) of this section) paid or incurred by the corporation on the apartment building and the land on which it is situated, and (b) the interest (allowable as a deduction under clause (2) of this section) paid or incurred by the corporation on its indebtedness contracted in the acquisition, construction, alteration, rehabilitation, or maintenance of such apartment building or in the acquisition of the land on which the building is located, which the stock of the corporation owned by the tenant-stockholder is of the total outstanding stock of the corporation, including that held by the corporation.

As used in this clause the term "cooperative apartment corporation" means a corporation

(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.

(19) (a) A taxpayer may treat research or experimental expenditures which are paid or incurred by him during the taxable year in connection with his trade or business as expenses which are not chargeable to capital account. The expenditures so treated shall be allowed as a deduction. A taxpayer may, without the consent of the commissioner, adopt the method provided herein for his first taxable year which begins after December 31, 1954, and for which expenditures described herein are paid or incurred. A taxpayer may, with the consent of the commissioner, adopt at any time the method provided in this paragraph. The method adopted under this paragraph shall apply to all expenditures described herein. The method adopted shall be adhered to in computing net income for the taxable year and for all subsequent taxable years unless, with the approval of the commissioner, a change to a different method is authorized with respect to part or all of such expenditures.

(b) At the election of the taxpayer, made in accordance with regulations prescribed by the commissioner, research or experimental expenditures which are paid or incurred by the taxpayer in connection with his trade or business, not treated as expenses under paragraph (a), and chargeable to capital account but not chargeable to property of a character which is subject to the allowance under clause (6) of this section (relating to allowance for depreciation, etc.) or clause (7) of this section (relating to allowance for depletion), may be treated as deferred expenses. In computing net income, such deferred expenses shall be allowed as a deduction ratably over such period of not less than 60 months as may be selected by the taxpayer (beginning with the month in which the taxpayer first realizes benefits from such

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expenditures). Such deferred expenses are expenditures properly chargeable to capital account for purposes of section 290.12, subdivision 2 (relating to adjustments to basis of property). The election provided in this paragraph may be made for any taxable year beginning after December 31, 1954, but only if made not later than the time prescribed by law for filing the return for such taxable year (including extensions thereof). The method so elected, and the period selected by the taxpayer, shall be adhered to in computing net income for the taxable year for which the election is made and for all subsequent taxable years unless, with the approval of the commissioner, a change to a different method (or to a different period) is authorized with respect to part or all of such expenditures. The election shall not apply to any expenditure paid or incurred during any taxable year before the taxable year for which the taxpayer makes the election.

(c) This clause shall not apply to any expenditure for the acquisition or improvement of land, or for the acquisition or improvement of property to be used in connection with the research or experimentation and of a character which is subject to the allowance under clause (6) of this section (relating to allowance for depreciation, etc.) or clause (7) of this section (relating to allowance for depletion); but for purposes of this clause allowances under clause (6), and allowances under clause (7), shall be considered as expenditures.

(d) This clause shall not apply to any expenditure paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (including oil and gas).

(20) The organizational expenditures of a corporation may, at the election of the corporation (made in accordance with regulations prescribed by the commissioner), be treated as deferred expenses and in computing net income, such deferred expenses shall be allowed as a deduction ratably over such period of not less than 60 months as may be selected by the corporation (beginning with the month in which the corporation begins business). The term "organizational expenditures" means any expenditure which is incident to the creation of the corporation; is chargeable to capital account; and is of a character which, if expended incident to the creation of a corporation having a limited life, would be amortizable over such life. The election provided herein may be made for any taxable year beginning after December 31, 1954, but only if made not later than the time prescribed by law for filing the return for such taxable year (including extensions thereof).

The period so elected shall be adhered to in computing the net income of the corporation for the taxable year for which the election is made and all subsequent taxable years. The election shall apply only with respect to expenditures paid or incurred on or after January 1, 1955.

(21) (A) ^(a) (1) Any person who constructs, reconstructs, or erects a grain-storage facility (as defined in paragraph (d)) shall, at his election, be entitled to a deduction with respect to the amortization of the adjusted basis (for determining gain) of such facility based on a period of 60 months. The 60-month period shall begin as to any such facility, at the election of the taxpayer, with the month following the month in which the facility was completed, or with the succeeding taxable year.

(2) Any person who acquires a grain-storage facility from a taxpayer who elected under paragraph (b) to take the amortization deduction provided by this paragraph with respect to such facility, and did not discontinue the amortization deduction pursuant to paragraph (c), shall, at his election, be entitled to a deduction with respect to the adjusted basis (determined under paragraph (e) (2)) of such facility based on the period, if any, remaining (at the time of acquisition) in the 60-month period elected under paragraph (b) by the person who constructed, reconstructed, or erected such facility.

(3) The amortization deduction provided in subparagraphs (1) and (2) shall be an amount, with respect to each month of the amortization period within the taxable year, equal to the adjusted basis of the facility at the end of such month, divided by the number of months (including the month for which the deduction is computed) remaining in the period. Such adjusted basis at the end of the month shall be computed without regard to the amortization deduction for such month. The amortization deduction above provided with respect to any month shall be in lieu of the depreciation deduction with respect to such facility for such month provided by section 290.09 (6).

(b) The election of the taxpayer under paragraph (a) (1) to take the amortization deduction and to begin the 60-month period with the month following the month in which the facility was completed shall be made only by a statement to that effect in the return for the taxable year in which the facility was completed. The election of the taxpayer under paragraph (a) (1) to take the amortization deduction and to begin such period with the taxable year succeeding such year

shall be made only by a statement to that effect in the return for such succeeding taxable year. The election of the taxpayer under paragraph (a) (2) to take the amortization deduction shall be made only by a statement to that effect in the return for the taxable year in which the facility was acquired. Notwithstanding the preceding three sentences, the election of the taxpayer under paragraph (a) (1) or (2) may be made, under such regulations as the commissioner may prescribe, before the time prescribed in the applicable sentence.

(c) A taxpayer which has elected under paragraph (b) to take the amortization deduction provided in paragraph (a) may, at any time after making such election, discontinue the amortization deduction with respect to the remainder of the amortization period, such discontinuance to begin as of the beginning of any month specified by the taxpayer in a notice in writing filed with the commissioner before the beginning of such month. The depreciation deduction provided under section 290.09 (6) shall be allowed, beginning with the first month as to which the amortization deduction does not apply, and the taxpayer shall not be entitled to any further amortization deduction with respect to such facility.

(d) For purposes of this clause, the term "grain-storage facility" means

(1) any corn crib, grain bin, or grain elevator, or any similar structure suitable primarily for the storage of grain, which crib, bin, elevator, or structure is intended by the taxpayer at the time of his election to be used for the storage of grain produced by him (or, if the election is made by a partnership, produced by the members thereof); and

(2) any public grain warehouse permanently equipped for receiving, elevating, conditioning, and loading out grain, the construction, reconstruction, or erection of which was completed after December 31, 1954, and on or before December 31, 1956. If any structure described in subparagraph (1) or (2) of the preceding sentence is altered or remodeled so as to increase its capacity for the storage of grain, or if any structure is converted, through alteration or remodeling, into a structure so described, and if such alteration or remodeling was completed after December 31, 1954, and on or before December 31, 1956, such alteration or remodeling shall be treated as the construction of a grain-storage facility. The term "grain-storage facility" shall include only property of a character which is subject to the allowance for depreciation provided in section 290.09(6). The term "grain-storage facility" shall

not include any facility any part of which is an emergency facility within the meaning of section 290.09 (12).

(e) (1) For purposes of paragraph (a) (1) in determining the adjusted basis of any grain-storage facility, the construction, reconstruction, or erection of which was begun before January 1, 1955, there shall be included only so much of the amount of the adjusted basis (computed without regard to this paragraph) as is properly attributable to such construction, reconstruction, or erection after December 31, 1954; and in determining the adjusted basis of any facility which is grain-storage facility within the meaning of the second sentence of paragraph (d), there shall be included only so much of the amount otherwise included in such basis as is properly attributable to the alteration or remodeling.

If any existing grain-storage facility as defined in the first sentence of paragraph (d) is altered or remodeled as provided in the second sentence of paragraph (d), the expenditures for such remodeling or alteration shall not be applied in adjustment of the basis of such existing facility but a separate basis shall be computed in respect of such facility as if the part altered or remodeled were a new and separate grain-storage facility.

(2) For purposes of paragraph (a) (2), the adjusted basis of any grain-storage facility shall be whichever of the following amounts is the smaller: The basis (unadjusted) of such facility for purposes of this section in the hands of the transferor, donor, or grantor, adjusted as if such facility in the hands of the taxpayer had a substituted basis, or so much of the adjusted basis (for determining gain) of the facility in the hands of the taxpayer (as computed without regard to this paragraph) as is properly attributable to construction, reconstruction, or erection after December 31, 1954. The term "substituted basis" as used in the preceding sentence means a basis determined under any provision of this chapter, providing that the basis shall be determined

(1) By reference to the basis in the hands of a transferor, donor, or grantor, or

(2) By reference to other property held at any time by the person for whom the basis is to be determined.

(f) If the adjusted basis of the grain-storage facility (computed without regard to paragraph (e)) exceeds the adjusted basis computed under paragraph (e), the depreciation deduction provided by section 290.09 (6) shall, despite the

provisions of paragraph (a) (3) of this clause, be allowed with respect to such grain-storage facility as if the adjusted basis for the purpose of such deduction were an amount equal to the amount of such excess.

(g) In the case of property held by one person for life with remainder to another person, the amortization deduction provided in paragraph (a) shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant. In the case of property held in trust the allowable deduction shall be apportioned between the income beneficiary and the trustee in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the trust income allocable to each.

(22) Expenditures which are paid or incurred during the taxable year by a taxpayer engaged in the business of farming for the purpose of soil or water conservation in respect of land used in farming, or for the prevention of erosion of land used in farming, may be treated by him as expenses which are not chargeable to capital account. The expenditures so treated shall be allowed as a deduction, but the amount deductible for any taxable year shall not exceed 25 percent of the gross income derived from farming during the taxable year. If for any taxable year the total of the expenditures treated as expenses which are not chargeable to capital account exceeds 25 percent of the gross income derived from farming during the taxable year, such excess shall be deductible for succeeding taxable years in order of time; but the amount deductible under this clause for any one such succeeding taxable year (including the expenditures actually paid or incurred during the taxable year) shall not exceed 25 percent of the gross income derived from farming during the taxable year.

For purposes of this clause the term "expenditures which are paid or incurred by him during the taxable year for the purpose of soil or water conservation in respect of land used in farming, or for the prevention of erosion of land used in farming" means expenditures paid or incurred for the treatment or moving of earth, including (but not limited to) leveling, grading and terracing, contour furrowing, the construction, control, and protection of diversion channels, drainage ditches, earthen dams, watercourses, outlets, and ponds, the eradication of brush, and the planting of windbreaks. Such term does not include the purchase, construction, installation, or improvement of structures, appliances, or facilities which

are of a character which is subject to the allowance for depreciation provided in section 290.09 (6), or any amount paid or incurred which is allowable as a deduction without regard to this clause.

The term "land used in farming" means land used (before or simultaneously with the expenditures described in the foregoing paragraphs of this clause) by the taxpayer or his tenant for the production of crops, fruits, or other agricultural products or for the sustenance of livestock.

A taxpayer may, without the consent of the commissioner, adopt the method provided in this clause for his first taxable year which begins after December 31, 1954, and for which expenditures described in this clause are paid or incurred. A taxpayer may, with the consent of the commissioner, adopt at any time the method provided in this clause. The method adopted shall apply to all expenditures described in this clause. The method adopted shall be adhered to in computing net income for the taxable year and for all subsequent taxable years unless, with the approval of the commissioner, a change to a different method is authorized with respect to part or all of such expenditures.

(23) The amount he has paid to others for tuition of each dependent and the cost of transportation of each dependent in attending an elementary or secondary school; provided that the deduction for each dependent shall not exceed \$200.

Sec. 8. Minnesota Statutes 1957, Section 290.095 Subdivision 2, is amended to read:

Subd. 2. Carryover and carryback. (a) A net operating loss for any taxable year commencing on or after January 1, 1957 shall be: (1) a net operating loss carryback to each of the *three* taxable years preceding the taxable year of such loss, and

(2) A net operating loss carryover to each of the five taxable years following the taxable year of such loss; provided however,

(3) That a net operating loss incurred in a taxable year commencing prior to December 31, 1956, shall be computed under Minnesota Statutes, section 290.095, but the net operating loss so determined shall be a carryover to each of the five taxable years following the taxable year of such loss, which year of loss shall not be prior to a taxable year ending in the year 1952. A net operating loss incurred in a taxable

year commencing on or after January 1, 1956, may not be carried back to any taxable year commencing prior to December 31, 1956.

Sec. 9. Minnesota Statutes 1957, Section 290.361, Subdivision 2, is amended to read:

Subd. 2. **Computation of taxable net income.** The taxable net income shall be computed in the manner provided by this chapter except that in the case of national and state banks: (a) the rate shall be *nine and one-half* percent; (b) the basic date for the purpose of computing gain or loss and depreciation shall be January 1, 1940, instead of January 1, 1933; (c) property consisting of investments in bonds, stocks, notes, debentures, mortgages, certificates, or any evidence of indebtedness, and any property acquired in liquidation thereof when such property is held for investment or for sale, shall not be deemed to be capital assets; and (d) in computing net income there shall be allowable as a deduction from gross income, in addition to deductions otherwise provided for in this act, any dividend (not including any distribution in liquidation) paid, within the taxable year, to the United States or to any instrumentality thereof exempt from Federal income taxes, on the preferred stock of the bank owned by the United States or such instrumentality.

Sec. 10. Minnesota Statutes 1957, Section 290.361, Subdivision 6, is amended to read:

Subd. 6. **Surtax.** *There is hereby imposed an additional privilege and income tax on corporations subject to the tax imposed by subdivision 2 equal to 1.9 percent of all taxable net income.* This subdivision shall apply to all taxable years which begin after December 31, 1958, and prior to January 1, 1961. The proceeds of the tax imposed by this subdivision shall be deposited in the state treasury to the credit of the general revenue fund. There shall be paid from this general revenue fund all refunds of such taxes erroneously collected from taxpayers under this chapter as provided herein.

Sec. 11. Minnesota Statutes 1957, Section 290.37, Subdivision 1, as amended by Laws of Minnesota 1959, Chapter 367, Section 1, is amended to read:

290.37 Returns. Subdivision 1. **Persons making returns.** The following persons shall make a return for each taxable year, or fractional part thereof where permitted or required by law:

(a) A single individual with respect to his own taxable

net income if that exceeds an amount on which a tax at the rates herein provided would exceed the specified credits allowed, or if his gross income exceeds \$750.

(b) A married individual if his own taxable net income or the combined taxable net income of himself and his spouse exceeds an amount on which a tax at the rates herein provided would exceed the specified credits allowed, or if his gross income or the combined gross income of himself and his spouse exceeds \$1,500.

(c) The executor or administrator of the estate of a decedent with respect to the taxable net income of such decedent for that part of the taxable year during which he was alive if such taxable net income exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed, or if such decedent's gross income for the aforesaid period exceeds \$750.

(d) The executor or administrator of the estate of a decedent with respect to the taxable net income of such estate if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed, or if such estate's gross income exceeds \$750.

(e) The trustee or other fiduciary of property held in trust with respect to the taxable net income of such trust if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed, or if the gross income of such trust exceeds \$750, if in either case such trust belongs to the class of taxable persons.

(f) The guardian of an infant or other incompetent person with respect to such infant's or other person's taxable net income if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed, or if the gross income of such infant or other incompetent person exceeds \$750.

(g) Every corporation with respect to its taxable net income if in excess of \$500, or if its gross income exceeds \$5,000. The return in this case shall be signed by the president, vice-president, or other principal officer, and by the treasurer or assistant treasurer.

(h) The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer with respect to the taxable net income of such taxpayer if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed (or, if the taxpayer is a

corporation, if the taxable net income exceeds \$500), or if such taxpayer's gross income exceeds \$5,000.

Such return shall (a) be verified or contain a written declaration that it is made under the penalties of criminal liability for wilfully making a false return, and (b) shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

Sec. 12. Minnesota Statutes 1957, Section 290.37, is amended by adding a new subdivision to read:

[Subd. 3.] **Information included in return.** *The return provided for herein shall require a statement of the name of the taxpayer, or taxpayers, if the return be a joint return, and the address of such taxpayer in the same name or names and same address as the taxpayer has used in making his income tax return to the United States under the terms of the Internal Revenue Act of 1954, and shall include the social security number of the taxpayer, or taxpayers, if a social security number has been issued by the United States with respect to said taxpayers, and shall include the amount of the adjusted gross income of such taxpayer as the same appears on said return to the United States Internal Revenue Service for the taxable year to which such Minnesota State return is applicable; or, in lieu thereof, the taxpayer shall attach to his Minnesota State income tax return a copy of the federal income tax return which he has filed or is about to file for such period.*

Sec. 13. Minnesota Statutes 1957, Section 290.38, is amended to read:

290.38 Joint returns of husband and wife. A husband and wife may make a single return jointly even though one of the spouses has neither gross income nor deductions. If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several. *If both husband and wife have gross income they may elect to either file a single return jointly or may file separate returns. This election to file a joint or separate returns may be changed within the period provided for the assessment of additional taxes on said return or returns. This election shall be applicable only for taxable years beginning after December 31, 1957.*

No joint return shall be made if the husband and wife have different taxable years; except that if such taxable years begin on the same day and end on different days because of the death of either or of both, then the joint return may be made

with respect to the taxable year of each. The above exception shall not apply if the surviving spouse remarries before the close of his taxable year or if the taxable year of either spouse is a fractional part of a year under section 290.32.

In the case of the death of one spouse or both spouses the joint return with respect to the decedent may be made only by the executor or administrator of his estate; except that in the case of the death of one spouse the joint return may be made by the surviving spouse with respect to both himself and the decedent if (a) no return for the taxable year has been made by the decedent, (b) no executor or administrator has been appointed, and (c) no executor or administrator is appointed before the last day prescribed by law for filing the return of the surviving spouse. If an executor or administrator of the estate of the decedent is appointed after the joint return has been filed by the surviving spouse, the executor or administrator may disaffirm such joint return by filing, within one year after the last day prescribed by law for filing the return of the surviving spouse, a separate return for the taxable year of the decedent with respect to which the joint return was made, in which case the return made by the survivor shall constitute his separate return.

Sec. 14. Minnesota Statutes 1957, Section 290.62, as amended by Chapter 158, Section 21, is amended to read:

290.62 Income tax school fund; distribution. *All revenues (except the bank excise tax imposed by Section 290.361) derived from the taxes, interest, penalties and charges under this chapter shall, notwithstanding any other provision of law, be paid into the state treasury and credited to a special fund to be known as income tax school fund, and be distributed as follows:*

(1) *Except for refunds of bank excise tax imposed under Section 290.361, there shall, notwithstanding any other provision of the law, be paid from this income tax school fund all refunds of taxes erroneously collected from taxpayers under this chapter as provided herein;*

(2) *There shall be transferred each year from this fund to the general revenue fund the amount expended from the latter fund for expenses of administering this chapter;*

(3) *There shall be transferred monthly, during the biennium beginning July 1, 1959, and ending June 30, 1961, from the income tax school fund to the general revenue fund one-eleventh of the proceeds of taxes, interest, penalties and*

charges (exclusive of such revenues derived from banks and corporations);

(4) Out of the balance in this income tax school fund, after meeting the requirements of clauses (1) and (2), there shall be distributed as income tax school aid to each school district of the state, including municipalities operating their own school, an amount equal to \$10 per child between the ages of six and 16 years, both years inclusive, residing in such district without being subject to any conditions; provided, that a child in his sixteenth year shall be included only if in actual attendance in school;

(5) The balance thereof shall be credited to the special state aid fund to be distributed as in this act provided;

(6) There is hereby appropriated to the persons, school districts, or municipalities entitled to payment herein, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make the refund and payment.

Sec. 15. *Except for Sections 7 (6), 13 and 14, the provisions of this art. shall apply to all taxable years beginning after December 31, 1958.*

ARTICLE IV.

Section 1. Minnesota Statutes 1957, Section 291.03, is amended to read:

291.03 Rates. When the property or any beneficial interest therein passes by any such transfer where the amount of the property shall exceed in value the exemption or exemptions hereinafter specified, *where applicable*, the tax hereby imposed shall be:

(1) Where the person entitled to any beneficial interest in such property shall be the *widow, minor or dependent child of the decedent*, or any *minor or dependent legally adopted child* at the following prescribed rates:

1½% on that part of the first \$25,000 which exceeds the applicable exemption or exemptions specified in section 291.05.

2% on the next \$25,000 or part thereof.

3% on the next \$50,000 or part thereof.

4% on the next \$50,000 or part thereof.

5% on the next \$50,000 or part thereof.

6% on the next \$100,000 or part thereof.

- 7% on the next \$100,000 or part thereof.*
- 8% on the next \$100,000 or part thereof.*
- 9% on the next \$500,000 or part thereof.*
- 10% on the excess over \$1,000,000.*

(2) Where the person or persons entitled to any beneficial interest in such property shall be the husband, *adult child or other lineal descendant of the decedent, adult legally adopted child or issue*, lineal ancestor of the decedent or any child to whom such decedent for not less than ten years prior to such transfer stood in the mutually acknowledged relation of a parent; provided, such relationship began at or before the child's fifteenth birthday and was continuous for said ten years thereafter, or any lineal issue of such mutually acknowledged child, at the *following described rates*:

- 2% on that part of the first \$25,000 which exceeds the applicable exemption or exemptions specified in section 291.05.*
- 4% on the next \$25,000 or part thereof.*
- 6% on the next \$50,000 or part thereof.*
- 7% on the next \$100,000 or part thereof.*
- 8% on the next \$200,000 or part thereof.*
- 9% on the next \$600,000 or part thereof.*
- 10% on the excess over \$1,000,000.*

(3) Where the person or persons entitled to any beneficial interest in such property shall be the brother or sister or a descendant of a brother or sister of the decedent, a wife or widow of a son, or the husband of a daughter of the decedent, at the *following prescribed rates*:

- 6% on that part of the first \$25,000 which exceeds the applicable exemption or exemptions specified in section 291.05.*
- 8% on the next \$25,000 or part thereof.*
- 10% on the next \$50,000 or part thereof.*
- 12% on the next \$50,000 or part thereof.*
- 14% on the next \$50,000 or part thereof.*
- 16% on the next \$100,000 or part thereof.*
- 18% on the next \$100,000 or part thereof.*
- 20% on the next \$100,000 or part thereof.*
- 22% on the next \$500,000 or part thereof.*
- 25% on the excess over \$1,000,000.*

(4) Where the person or persons entitled to any beneficial interest in such property shall be in any other degree of collateral consanguinity than is hereinbefore stated, or shall

be a stranger in blood to the decedent, or shall be a body politic or corporate, at the following prescribed rates:

- 8% on that part of the first \$25,000 which exceeds the applicable exemption or exemptions specified in section 291.05.*
- 10% on the next \$25,000 or part thereof.*
- 12% on the next \$50,000 or part thereof.*
- 14% on the next \$50,000 or part thereof.*
- 16% on the next \$50,000 or part thereof.*
- 18% on the next \$100,000 or part thereof.*
- 20% on the next \$100,000 or part thereof.*
- 22% on the next \$100,000 or part thereof.*
- 26% on the next \$500,000 or part thereof.*
- 30% on the excess over \$1,000,000.*

Sec. 2. Minnesota Statutes 1957, Section 291.04, is hereby repealed.

Sec. 3. Minnesota Statutes 1957, Section 291.05, is amended to read:

291.05 Exemptions. The following exemptions from the tax are hereby allowed:

(1) Any devise, bequest, gift, or transfer to or for the use of the United States of America or any state or any political subdivision thereof for public purposes exclusively, and any devise, bequest, gift, or transfer to or for the use of any corporation, fund, foundation, trust, or association operated within this state for religious, charitable, scientific, literary, education or public cemetery purposes exclusively, including the encouragement of art and the prevention of cruelty to children or animals, no part of which devise, bequest, gift, or transfer inures to the profit of any private stockholder or individual, and any bequest or transfer to a trustee or trustees exclusively for such purposes, shall be exempt. Any devise, bequest, gift, or transfer to or for the use of any corporation, fund, foundation, trust, or association operated for religious, charitable, scientific, literary, education, or public cemetery purposes exclusively, including the encouragement of art, and the prevention of cruelty to children or animals, no part of which devise, bequest, gift, or transfer inures to the profit of any private stockholder or any individual, and any bequest or transfer to a trustee or trustees exclusively for such purposes, shall be exempt, if, at the date of the decedent's death, the laws of the state under the laws of which the transferee was organized or existing, either (1) did not impose a death tax of any character, in respect of property transferred

to a similar corporation, fund, foundation, trust, or association, organized or existing under the laws of this state, or (2) contained a reciprocal provision under which transfers to a similar corporation, fund, foundation, trust, or association, organized or existing under the laws of another state were exempted from death taxes of every character if such other state allowed a similar exemption to a similar corporation, fund, foundation, trust, or association, organized under the laws of such state.

(2) The homestead of a decedent, and the proceeds thereof if sold during administration, transferred to the spouse or to any minor or dependent child of the decedent, or to any minor or dependent legally adopted child of the decedent, shall be exempt to the extent of \$30,000 of the appraised value thereof.

Proceeds of any insurance policy issued by the United States and generally known as war risk insurance, United States government life insurance or national service life insurance payable upon the death of any person dying on or after June 24, 1950 shall be exempt.

(3) Property or any beneficial interest therein of the clear value of \$30,000 transferred to the widow, shall be exempt.

(4) Property or any beneficial interest therein of the clear value of \$15,000 transferred to each minor or dependent child of the decedent, or any minor or dependent legally adopted child of the decedent, shall be exempt.

(5) Property or any beneficial interest therein of the clear value of \$6,000 transferred to the husband, any adult child or other lineal descendant of the decedent, any adult legally adopted child, or any child to whom the decedent, for not less than ten years prior to his death, stood in the mutually acknowledged relation of a parent; provided, such relationship began at or before the child's 15th birthday, and was continuous for ten years thereafter, or any lineal issue of such adopted or mutually acknowledged child, or any lineal ancestor of the decedent, shall be exempt.

(6) Property or any beneficial interest therein of the clear value of \$1,500 transferred to any brother or sister or a descendant of a brother or sister of the decedent, a wife or widow of a son, or the husband of a daughter of the decedent, shall be exempt.

(7) Property or any beneficial interest therein of the

clear value of \$500 transferred to *any person in any other degree of collateral consanguinity than is hereinbefore stated, or shall be a stranger in blood to the decedent, or shall be a body politic or corporate not exempt under this chapter, shall be exempt.*

Sec. 4. *The provisions of this article shall become effective and apply in all cases where death occurs on or after July 1, 1959.*

The rates and exemptions in effect at the date of death shall apply in all cases where death occurs prior to July 1, 1959.

ARTICLE V

Section 1. Minnesota Statutes 1957, Section 292.06, is amended to read:

292.06 Computation of tax. The tax shall be based on the aggregate sum of the gifts made by the donor to the same donee in excess of the applicable annual exemptions and specific exemption. Net taxable gifts are here defined as the sum of gifts made by the donor to the same donee during any stated period of time in excess of the applicable annual exemptions and applicable specific exemption. For each calendar year the tax shall be an amount equal to the excess of (1) a tax, computed by applying the rates hereinafter set forth, to the net taxable gifts for such calendar year and for all preceding calendar years, over (2) a tax computed in like manner for all preceding calendar years; provided, that if the relationship of the donee to the donor changes between gifts, the tax on the gifts made subsequent to such change shall be computed as hereinbefore provided, but the rate shall be determined as follows: The rate shall be the rate applicable to the new relationship as provided in section 292.07, *and shall be applied* to the amount obtained by adding the net taxable gifts made after the change of relationship to the net taxable gifts made before the change of relationship.

Sec. 2. Minnesota Statutes 1957, Section 292.07, Subdivision 2, is amended to read:

Subd. 2. **Rates for classes of donees.** The rates on the net taxable gifts shall be (1) *In the case of a Class A donee:*

1½% on that part of the first \$25,000 which exceeds the applicable exemption or exemptions specified in section 292.05, subdivision 1.

- 2% on the next \$25,000 or part thereof.
- 3% on the next \$50,000 or part thereof.
- 4% on the next \$50,000 or part thereof.
- 5% on the next \$50,000 or part thereof.
- 6% on the next \$100,000 or part thereof.
- 7% on the next \$100,000 or part thereof.
- 8% on the next \$100,000 or part thereof.
- 9% on the next \$500,000 or part thereof.
- 10% on the excess over \$1,000,000.

(2) *In the case of a Class B donee:*

- 2% on that part of the first \$25,000 which exceeds the applicable exemption or exemptions specified in section 292.05, subdivision 1.
- 4% on the next \$25,000 or part thereof.
- 6% on the next \$50,000 or part thereof.
- 7% on the next \$100,000 or part thereof.
- 8% on the next \$200,000 or part thereof.
- 9% on the next \$600,000 or part thereof.
- 10% on the excess over \$1,000,000.

(3) *In the case of a Class C donee:*

- 6% on that part of the first \$25,000 which exceeds the applicable exemption or exemptions specified in section 292.05, subdivision 1.
- 8% on the next \$25,000 or part thereof.
- 10% on the next \$50,000 or part thereof.
- 12% on the next \$50,000 or part thereof.
- 14% on the next \$50,000 or part thereof.
- 16% on the next \$100,000 or part thereof.
- 18% on the next \$100,000 or part thereof.
- 20% on the next \$100,000 or part thereof.
- 22% on the next \$500,000 or part thereof.
- 25% on the excess over \$1,000,000.

(4) *In the case of a Class D donee:*

- 8% on that part of the first \$25,000 which exceeds the applicable exemption or exemptions specified in section 292.05, subdivision 1.
- 10% on the next \$25,000 or part thereof.
- 12% on the next \$50,000 or part thereof.
- 14% on the next \$50,000 or part thereof.
- 16% on the next \$50,000 or part thereof.
- 18% on the next \$100,000 or part thereof.
- 20% on the next \$100,000 or part thereof.
- 22% on the next \$100,000 or part thereof.

*26% on the next \$500,000 or part thereof.
30% on the excess over \$1,000,000.*

Sec. 3. Minnesota Statutes 1957, Section 292.07, Subdivision 3, is amended to read:

Subd. 3. Credits. *A tax credit shall be allowed, in computing gift taxes due under this act, to the following donees in the following amounts:*

<i>Wife of the donor</i>	\$300
<i>Minor child or any minor legally adopted child of the donor</i>	\$ 75
<i>Husband, an adult child, by blood or by adoption, other lineal descendant, or any mutually acknowledged child of the donor, or lineal descendants of such adopted or mutually acknowledged children</i>	\$ 20
<i>Lineal ancestors of the donor</i>	\$ 60
<i>Brother or sister of the donor, a descendant of such brother or sister, a wife or widow of a son of the donor, and the husband of a daughter of the donor</i>	\$ 30
<i>Brother or sister of the father or mother of the donor, and a descendant of a brother or sister of the father or mother of the donor</i>	\$ 40
<i>All others</i>	\$ 20

The credit provided by this section shall be allowed once only with respect to gifts by the donor to the same donee, and shall apply only to offset tax which would otherwise be due on gifts made on or after January 1, 1959.

Sec. 4. Minnesota Statutes 1957, Section 292.07, Subdivision 5, is amended to read:

Subd. 5. Classes of donees defined. Class A donees shall include only the wife and *minor or dependent child* of the donor, and a *minor or dependent legally adopted child* of the donor. Class B donees shall include only the husband of the donor, *adult child or adult legally adopted child and the lineal issue of such adopted child, lineal descendants and ancestors* of the donor, any child or the donor to whom he or she has stood in the mutually acknowledged relation of parent for not less than ten years prior to the making of the gift if such relationship began at or before such child's fifteenth birthday and was continuous for ten years thereafter, and the lineal issue of such child. Class C donees shall include only a brother

or sister of the donor, a descendant of such brother or sister, a wife or widow of a son of the donor, and the husband of a daughter of the donor. Class D donees shall include all donees other than those includible in the foregoing classes.

Sec. 5. *The provisions of this article shall apply to all gifts made on or after January 1, 1959.*

The rates and exemptions in effect at the time of the gift shall apply to all gifts prior to January 1, 1959.

ARTICLE VI

Section 1. Minnesota Statutes 1957, Section 297.02, Subdivision 1, is amended to read:

297.02 Subdivision 1. **Rates.** A tax is hereby imposed upon the sale of cigarettes in this state and upon any person engaged in business as a distributor thereof, at the following rates, subject to the discount provided in Section 297.03:

(1) On cigarettes weighing not more than three pounds per thousand, two *and three-fourths* mills on each such cigarette;

(2) On cigarettes weighing more than three pounds per thousand, *five and one-half* mills on each such cigarette.

Sec. 2. Minnesota Statutes 1957, Section 297.03, Subdivision 5, is amended to read:

Subd 5. **Sale of stamps.** The commissioner shall sell stamps to any person licensed as a distributor at a discount of *two and one-half* percent from the face amount of the stamps. He shall not sell stamps to any other person.

Sec. 3. Minnesota Statutes 1957, Section 297.03, is amended by adding a new subdivision to read:

[Subd. 11.] **Ocean-going vessels, tax free sale.** *The commissioner may promulgate rules for the sale by licensed distributors of tax free cigarettes to the masters of ocean-going vessels for use aboard ship outside the continental limits of the United States, provided such cigarettes are also exempt from the taxes imposed on cigarettes by the United States government.*

Sec. 4. Minnesota Statutes 1957, Section 297.22, Subdivision 1, is amended to read:

Subd. 1. A tax is hereby imposed upon the use or

storage by consumers of cigarettes in this state, and upon such consumers, at the following rates:

(1) On cigarettes weighing not more than three pounds per thousand, *two and three-fourths* mills on each such cigarette;

(2) On cigarettes weighing more than three pounds per thousand, *five and one-half* mills on each such cigarette.

Sec. 5. *This article shall be effective from and after 12:01 A.M., July 1, 1959.*

ARTICLE VII

Section 1. Minnesota Statutes 1957, Section 297.32, Subdivision 1, is amended to read:

297.32 Subdivision 1. A tax is hereby imposed upon all tobacco products in this state and upon any person engaged in business as a distributor thereof, at the rate of 15 percent of the wholesale sales price of such tobacco products. Such tax shall be imposed at the time the distributor (1) brings, or causes to be brought, into this state from without the state tobacco products for sale; (2) makes, manufactures, or fabricates tobacco products in this state for sale in this state; or (3) ships or transports tobacco products to retailers in this state, to be sold by those retailers.

Sec. 2. Minnesota Statutes 1957, Section 297.32, is amended by adding a new subdivision to read:

Subd. 1a. Commencing July 1, 1959, and continuing through June 30, 1961, the basic rate of taxation fixed by subdivision 1 is increased from 15 to 20 percent of the wholesale sales price of such tobacco products.

Sec. 3. Minnesota Statutes 1957, Section 297.32, Subdivision 2, is amended to read:

Subd. 2. A tax is hereby imposed upon the use or storage by consumers of tobacco products in this state, and upon such consumers, at the rate of 15 percent of the cost of such tobacco products.

The tax imposed by this subdivision shall not apply if the tax imposed by Subdivision 1 on such tobacco products has been paid.

This tax shall not apply to the use or storage of tobacco products in quantities of:

1. Less than 25 cigars;
2. Less than 10 oz. snuff or snuff powder;
3. Less than 1 lb. smoking or chewing tobacco or other tobacco products not specifically mentioned herein, in the possession of any one consumer.

Sec. 4. Minnesota Statutes 1957, Section 297.32, is amended by adding a new subdivision to read:

Subd. 2a. Commencing July 1, 1959, and continuing through June 30, 1961, the basic rate of taxation fixed by subdivision 2 is increased from 15 to 20 percent of the wholesale sales price of such tobacco products.

Sec. 5. Minnesota Statutes 1957, Section 297.35, Subdivision 1, is amended to read:

297.35 Subdivision 1. On or before the twentieth day of each calendar month every distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product (1) brought, or caused to be brought, into this state for sale; and (2) made, manufactured or fabricated in this state for sale in this state, during the preceding calendar month. Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns shall be made upon forms furnished and prescribed by the commissioner and shall contain such other information as the commissioner may require. Each return shall be accompanied by a remittance for the full tax liability shown therein, less 2½ percent of such liability as compensation to reimburse the distributor for his expenses incurred in the administration of sections 297.31 to 297.39.

Sec. 6. *A floor stocks tax is hereby imposed upon every person engaged in business in this state as a distributor of tobacco products, at the rate of 5 percent of the wholesale sales price of each tobacco product in his possession or under his control at 12:01 o'clock A.M. on July 1, 1959.*

Each distributor, on or before July 20, 1959, shall file a report with the commissioner, in such form as the commissioner may prescribe, showing the tobacco products on hand at 12:01 o'clock A.M. on July 1, 1959, and the amount of tax due thereon.

The tax imposed by this section less the discount provided in section 293.35, Subdivision 1, shall be due and payable on or before August 20, 1959, and thereafter shall bear interest at the date of one percent per month.

Sec. 7. Sections 1, 2, 3, 4 and 5 shall be effective from and after 12:01 o'clock A.M. July 1, 1959.

ARTICLE VIII

Section 1. Minnesota Statutes 1957, Section 298.01, Subdivision 2, is amended to read:

Subd. 2. There is hereby imposed an additional tax on all persons and companies engaged in the business of producing or mining iron ore or other ores equal to one percent of the valuation of all ores mined or produced to be assessed, paid and collected as a part of the occupation tax levied by subdivision 1.

Sec. 2. Minnesota Statutes 1957, Section 298.011, is amended to read:

298.011 Additional occupation tax. Every person engaged in the business of mining or producing iron ore or other ores in this state shall pay to the state as an addition to the occupation tax levied by section 298.01, as amended, an additional occupation tax equal to 2.25 percent of the valuation of all ores (*except taconite and iron sulphides*) mined and produced to be assessed, paid, and collected as a part of the occupation tax levied by section 298.01, as amended. This section shall apply to all ores (*except taconite and iron sulphides*) mined and produced subsequent to December 31, 1958 and prior to January 1, 1961, except as to the collection of taxes theretofore levied and unpaid. Of the proceeds of the tax imposed by this section on ore mined or produced prior to January 1, 1959, 50 percent thereof shall be deposited in the state treasury to the credit of the veterans compensation fund.

The proceeds of the tax imposed by this section on ore mined or produced on or after January 1, 1959 shall be deposited in the state treasury and apportioned and distributed in accordance with the Constitution of the State of Minnesota, Article IX, Section 1A, in the following manner: 50 percent to the general revenue fund, 40 percent for the support of elementary and secondary schools and 10 percent for the general support of the university.

Sec. 3. Minnesota Statutes 1957, Section 298.02, Subdivision 1, is amended to read:

298.02 Subdivision 1. **Credit.** For the purpose of increasing employment and the utilization of low-grade, underground, and high labor cost ores any taxpayer on whom a tax is imposed by reason of the provisions of section 298.01, *subdivision 1*, shall be allowed a credit against the occupation tax as computed in said *subdivision* because of the mining or production of ore from any mine, in an amount calculated as follows:

(a) In the case of underground mines or that tonnage of merchantable ore produced in open pit mines in the year in question which tonnage has resulted from beneficiation at an ore beneficiation plant within the state by jigging, heavy media, cyclone process, roasting, drying by artificial heat, sintering, magnetic separation, flotation, agglomeration or any process requiring fine grinding, ten percent of that part of the cost of labor employed by said mine or in the beneficiation of all ore mined or produced in said calendar year in excess of 70 cents and not in excess of 90 cents per ton of the merchantable ore produced during the year at said mine, and 15 percent of that part of the cost of such labor in excess of 90 cents per ton; in the case of any other tonnage produced at said mine or in the case of other mines, ten percent of the amount by which the average cost per ton of labor employed at said mine, or in the beneficiation of such ore at or near the mine, exceeds 80 cents, but does not exceed \$1.05, plus 15 percent of the amount by which such average labor cost per ton exceeds \$1.05, multiplied by the number of tons of ore produced at said mine, not exceeding 100,000 tons, but this 100,000 tons or less shall be first reduced by any tonnage described in the first part of this subparagraph; provided, however, that in no event shall the credit allowed hereunder be in excess of 75 percent, as applied to underground and taconite operations, and 60 percent as applied to all other operations, of the total of the tax computed under the provisions of section 298.01, subdivision 1. The expression "merchantable ore produced" as used herein means ores which as mined or as mined and beneficiated, are ready for shipment as a merchantable product. The provisions of this subparagraph (a) shall be applicable to all ores mined or produced subsequent to December 31, 1956.

(b) The aggregate amount of all credits allowed under this subdivision to all mines shall not exceed six and two-tenths percent of the aggregate amount of occupation taxes *imposed*

under section 298.01, subdivision 1, assessed against all mines in the state for said year prior to the deduction of such credits, provided, that after December 31, 1954, labor credits to underground mines or taconite operations shall not be subject to such percentage limitation and both the occupation taxes of such underground mines or taconite operations and the labor credits allowed thereto shall be excluded in calculating such percentage limitations. At the time of his final determination of occupation tax pursuant to section 298.09, subdivision 3, the commissioner shall reduce the credit otherwise allowable to each mine hereunder by such equal percentage as will bring the total within such limitation. If an equal percentage reduction is made in the labor credits of mines pursuant to this subparagraph (b) at the time of certification to the state auditor as set forth in section 298.10, the same percentage will be used where changes are made pursuant to section 298.09, subdivision 4, subsequent to June 1. Also if no reduction is made at the time of certification to the state auditor on or before June 1, pursuant to this subdivision and section 298.10, no reduction will be made subsequent to June 1, due to changes made pursuant to section 298.09, subdivision 4. This subparagraph (b) shall apply to occupation tax calculations in calendar years subsequent to December 31, 1952.

Sec. 4. Except as otherwise provided, this article shall apply to all ores mined or produced subsequent to December 31, 1958.

ARTICLE IX

Section 1. Minnesota Statutes 1957, Section 299.01, Subdivision 2, is amended to read:

Subd. 2. There is hereby imposed as an additional tax upon all royalty received for the permission to explore, mine, take out and remove ore from land *in this state, a tax of one percent to be levied and collected as a part of the tax levied by subdivision 1.*

Sec. 2. Minnesota Statutes 1957, Section 299.011, is amended to read:

299.011 Additional tax. There shall be levied and collected upon all royalty received during each calendar year after 1958, for permission to explore, mine, take out and remove ore (*except upon royalties received because of the actual production of taconite or iron sulphides*) from land in this state, as an addition to the tax levied by section 299.01,

as amended, a tax of 2.25 percent to be levied and collected as a part of the tax levied by section 299.01, as amended. This section shall be effective as of January 1, 1959, and shall expire on December 31, 1960, except as to the collection of taxes theretofore levied and unpaid. The proceeds of the tax imposed by this section shall be deposited in the state treasury to the credit of the *general revenue fund*.

Sec. 3. [299.012] Tax credit upon production of high labor cost ores and taconites. *Subdivision 1. For the purpose of increasing the utilization of low grade, underground, and high labor cost ores and taconites, the royalty tax levied by virtue of Minnesota Statutes 1957, Section 299.01, subdivision 1, on royalty received because of the production of ores in any calendar year from land forming part of any mine which was in production during said year, shall be reduced by a credit in an amount which will make the net effective tax rate thereon equal to the net effective rate of the occupation tax imposed pursuant to Minnesota Statutes 1957, Section 298.01, subdivision 1, because of the production of ores during such calendar year from the mine of which such land forms a part, after the application of the credits against such occupation tax allowed under Minnesota Statutes 1957, Section 298.02, subdivision 1; provided, if such mine produced ore in such calendar year, but the ore produced had no valuation for occupation tax purposes because of the allowable deductions equalling or exceeding the value of the ore produced, the credit allowed hereunder shall be 75 percent, as applied to underground, taconite, and semi-taconite operations, and 60 percent as applied to all other operations, of the total of the tax computed under the provisions of Minnesota Statutes 1957, Section 299.01, subdivision 1. Any person making payments of royalty taxes in advance of the final determination of such taxes, may assume for the purposes of Minnesota Statutes 1957, Section 299.08, that the net rate of the tax for the calendar year in question shall be the last full year's net effective occupation tax rate known at the time of the first payment of royalty tax during the current calendar year.*

Subd. 2. In the event that the payments for any calendar year are less than the amount of the tax as finally determined by the commissioner of taxation, the amount of such deficiency shall be collected in the manner provided by subdivision 3 or sections 299.09 and 200.10. In the event that there has been collected or paid an amount of tax for any year in excess of the amount legally due for that year, a credit against future payments shall be allowed.

Subd. 3. In case any tax is not paid at the time provided in Section 299.07, the commissioner, not earlier than ten days after notice to the royalty recipient, shall direct the royalty payor to withhold from any royalties due, or to become due to said recipient, the amount of tax determined to be delinquent, and shall remit the same to the state treasurer in the same manner and under the same conditions as prescribed by said section 299.08 for the withholding and remitting of the royalty tax.

Sec. 4. Minnesota Statutes 1957, Section 299.05, is amended to read:

299.05 Determination of amount of tax by commissioner. Upon the receipt by the commissioner of taxation of the report provided for in section 299.03, he shall determine, from such information as he may possess, or obtain, whether the same is correct, or otherwise; and, if found correct, he shall determine therefrom the amount of tax due from such person, enter the amount thereof in his records, make his certificate of taxes due thereon from such person, and the amount that has been paid thereon; and, on or before *June 15*, of each year, file the same with the state auditor and file a duplicate thereof with the state treasurer. The commissioner of taxation shall have power, in case he shall deem the report incorrect, or in case the report is not made and filed with the commissioner as provided in section 299.03, to make his findings as to the amount of such taxes due after hearing upon notice to the person interested, and his findings shall have the same effect as the determination of the amount of such taxes upon a report made as hereinbefore provided.

A person subletting land for the use of which he received royalty shall be required to pay taxes only on the difference between the amount of royalty paid by him and the amount received.

Sec. 5. Minnesota Statutes 1957, Section 299.07, is amended to read:

299.07 Time for payment. Any portion of such tax that has not been withheld and paid by the royalty payor, as herein required, shall be due and payable on or before *July 15*, of each year.

Sec. 6. Minnesota Statutes 1957, Section 299.08, is amended to read:

299.08 Lien; payment of tax. The situs of royalty, for all purposes of this chapter, shall be in this state; and

the tax herein provided for shall be a specific lien from the time the royalty accrues upon all and singular the right, title, and interest of the person to whom such royalty is payable, in and to the land, for permission to explore, mine, take out, and remove ore on which the royalty is paid, and shall be a specific lien upon such royalties as they accrue. Every person paying royalty to another which is subject to tax hereunder, upon which the royalty tax has not been paid, shall withhold the amount of the tax upon such royalty and remit the same to the state treasurer at the time the royalty is paid. Such payment to the state treasurer shall operate to discharge to that extent the liability of the person paying such royalty to the royalty recipient. *In addition thereto, he shall withhold any additional amounts certified pursuant to Section 4, subdivision 3.* At the time of such payment he shall file with the state treasurer and with the commissioner of taxation a report thereof on forms to be prescribed by the commissioner of taxation. If any person paying royalty to another shall fail to withhold the tax thereon or the penalty imposed by section 299.06 after notice thereof as therein provided, and pay the same to the state treasurer, he shall be liable for the amount of such tax and penalty, with interest at the rate of 12 percent per annum from the time the same should have been paid, to be recovered in an action by the attorney general for and on behalf of the state. The commissioner of taxation, may, upon petition of any royalty payor or recipient, upon such conditions as he may impose, permit the paying of the tax in one annual payment instead of as such royalty accrues, in which case such annual payment shall be made at such times as the commissioner of taxation directs, not later than *June 30* of the year following the accrual of the royalty. No such extension of time shall be granted unless, as one of the conditions thereof, the royalty payor shall guarantee the payment of the tax.

In the event the royalty is paid in ore instead of in cash the tax provided for herein shall be a specific lien upon the ore apportioned to the royalty recipient; or, if such ore be not apportioned, upon the royalty recipient's interest in the ore mined, and such ore shall not be shipped from this state unless:

- (1) The royalty tax be paid; or
- (2) A bond be given to secure such payment, upon a form and with *sureties* approved by the commissioner of taxation, in an amount 25 percent in excess of his estimate of the tax; or

(3) The estimated amount of the tax, such estimate to be made by the commissioner of taxation, be deposited with the state treasurer as security for such payment; or

(4) The payment of the tax be guaranteed or secured in some other manner satisfactory to the commissioner of taxation.

Sec. 7. Minnesota Statutes 1957, Section 299.09, is amended to read:

299.09 Draft for tax; collection. On or before *June 25*, in each year, the state auditor shall make his draft, upon the person against whom a tax has been certified, for the amount of tax and penalty, if any, due and place the same in the hands of the state treasurer for collection. The draft of the state auditor for the tax and penalties imposed by the foregoing provisions of this chapter shall be prima facie evidence, in any court where proceedings may be brought for its enforcement, that the amount therein stated is due the state from the person against whom the same is drawn.

Sec. 8. Minnesota Statutes 1957, Section 299.10, is amended to read:

299.10 Penalty for non-payment; collection of delinquent drafts. If the tax herein provided for is not paid before *July 15* of the year when due and payable a penalty of ten percent thereof shall immediately accrue and thereafter one percent per month shall be added to such tax while it remains unpaid. On *July 16*, of each year, the state treasurer shall deliver all unpaid drafts to the attorney general, whose duty it shall be to bring an action thereon in the district court of Ramsey county for the amount of such draft, together with penalties, interest, and costs of the proceedings; and the judgment of the court, when so obtained and properly docketed, shall be a lien upon all right, title, and interest of the taxpayer to the land upon which such tax is a lien from the time the same is docketed; and the lien shall continue without limitation, with interest at the rate of one percent per month, and the property may be sold in satisfaction of the judgment in the same manner as provided by law for the sale of property upon execution.

Sec. 9. *Except for the provisions of Section 3, subdivisions 1, 2 and 3, which shall apply to royalties on ores mined or produced subsequent to December 31, 1958, this article shall apply to all royalties received subsequent to December 31, 1958.*

ARTICLE X

Section 1. Minnesota Statutes 1957, Section 340.47, Subdivision 2, is amended to read:

Subd. 2. **On fermented malt beverages.** An excise tax is hereby assessed, imposed, and levied upon the sale, either directly or indirectly of fermented malt beverages other than for shipment in interstate or foreign commerce. Such tax shall not be imposed or collected upon fermented malt beverages given away by a brewery for consumption only upon the brewery premises, for which no charge of any kind is made or collected; nor shall fermented malt liquors distributed to brewery employees for consumption only upon the brewery premises pursuant to a contract of employment be subject to such tax. Such tax shall be levied and collected at the rate of \$1.60 per barrel of 31 gallons, containing not more than 3.2 percent of alcohol by weight, and a tax of \$3.20 per barrel of 31 gallons containing more than 3.2 percent of alcohol by weight, and at a proportional rate for fractional parts thereof. All the receipts from these taxes shall be paid into the general revenue fund by the liquor control commissioner.

Sec. 2. Minnesota Statutes 1957, Section 340.47, is amended by adding a new subdivision to read:

[Subd. 5.] **Surtax on intoxicating liquors.** *The several rates of taxation levied by subdivision 1 on all intoxicating liquors sold in this state are increased 15 percent except on intoxicating liquors which are within the state on June 30, 1959 and which have been sold within this state by a licensed manufacturer or wholesaler to a retailer or ultimate consumer on or before June 30, 1959. The increase in the several rates of taxation levied by this subdivision on all intoxicating liquors sold in this state shall hereafter be known as the surtax on intoxicating liquors.*

The surtax levied hereunder shall be reduced by a credit for any surtax previously paid pursuant to the provisions of Minnesota Statutes 1957, Section 340.47, subdivision 3.

Notwithstanding the provisions of subdivision 1 and Section 340.60, subdivision 2, the proceeds of the surtax imposed by this subdivision shall be deposited in the state treasury to the credit of the general revenue fund.

This section expires June 30, 1961.

Sec. 3. *This article shall be effective July 1, 1959.*

ARTICLE XI

Section 1. [290.09(6)(B)] (A) *In the case of section 1 property, the term "reasonable allowance" as used in section 290.09(6) may, at the election of the taxpayer, include an allowance, for the first taxable year for which a deduction is allowable under section 290.09(6) to the taxpayer with respect to such property, of 20 percent of the cost of such property.*

(B) *If in any one taxable year the cost of section 1 property with respect to which the taxpayer may elect an allowance under subsection (A) for such taxable year exceeds \$10,000, then subsection (A) shall apply with respect to those items selected by the taxpayer, but only to the extent of an aggregate cost of \$10,000. In the case of a husband and wife who file a joint return under section 290.38 for the taxable year, the limitation under the preceding sentence shall be \$20,000 in lieu of \$10,000.*

(C) (1) *The election under this section for any taxable year shall be made within the time prescribed by law (including extensions thereof) for filing the return for such taxable year. The election shall be made in such manner as the commissioner may by regulations prescribe.*

(2) *Any election made under this section may not be revoked except with the consent of the commissioner.*

(D) (1) *For purposes of this section, the term "Section 1 property" means tangible personal property (excluding buildings and structures)*

(A) *of a character subject to the allowance for depreciation under section 290.09 (6),*

(B) *acquired by purchase after December 31, 1958, for use in a trade or business or for holding for production of income, and*

(C) *with a useful life (determined at the time of such acquisition) of 6 years or more.*

(2) *For purposes of paragraph (1), the term "purchase" means any acquisition of property, but only if*

(A) *the property is not acquired from a person whose relationship to the person acquiring it would result in the disallowance of losses under section 290.10 (6),*

(B) *the property is not acquired by one member of*

an affiliated group from another member of the same affiliated group, and

(C) *the basis of the property in the hands of the person acquiring it is not determined*

(i) *in whole or in part by reference to the adjusted basis of such property in the hands of the person from whom acquired, or*

(ii) *under section 290.14 (4) (relating to property acquired from a decedent).*

(3) *For purposes of this section, the cost of property does not include so much of the basis of such property as is determined by reference to the basis of other property held at any time by the person acquiring such property.*

(4) *This section shall not apply to trusts.*

(5) *In the case of an estate, any amount apportioned to an heir, legatee, or devisee shall not be taken into account in applying subsection (B) of this section to section 1 property of such heir, legatee, or devisee not held by such estate.*

(6) *For purposes of subsection (B) of this section*

(A) *all members of an affiliated group shall be treated as one taxpayer, and*

(B) *the commissioner shall apportion the dollar limitation contained in such subsection (B) among the members of such affiliated group in such manner as he shall by regulations prescribe.*

(7) *For purposes of paragraphs (2) and (6), the term "affiliated group" has the meaning assigned to it by section 1504 of the Internal Revenue Code of 1954, except that, for such purposes, the phrase "more than 50 percent" shall be substituted for the phrase "at least 80 percent" each place it appears in section 1504 (A) of the Internal Revenue Code of 1954.*

Sec. 2. *The provisions of this article shall apply to all taxable years beginning after December 31, 1958.*

ARTICLE XII

Section 1. [287.21] **Imposition of tax; exceptions.** *Any provision of law to the contrary notwithstanding, there is hereby imposed on the making, signing, issuing or selling in this state of any deed, instrument, or writing by which any*

interest in real estate is created, aliened, transferred, or assigned or by which the title thereto may be affected in law or in equity, except

(A) Leases other than

(1) so-called ground leases providing for the construction by the lessee of buildings or other structures upon the land of the lessor;

(2) leases renewable forever;

(3) leases enduring for a fixed period of years which by reason of the length of the term or the grant of a right to extend a term by renewal or otherwise approximate a life estate;

(B) Wills, and

(C) Powers of attorney,

a tax determined in accordance with the provisions of section 2.

Sec. 2. [287.22] Determination of tax. *When the consideration or value of the interest or property conveyed (exclusive of the value of any lien or encumbrance, evidenced by a recorded mortgage, remaining thereon at the time of sale) is \$1,000 or less, the tax shall be \$1.10. When the actual consideration (exclusive of the value of any lien or encumbrance, evidenced by a recorded mortgage, remaining thereon at the time of sale) exceeds \$1,000, the tax shall be \$1.10, plus 55 cents for each \$500 or fractional part of \$500 in excess of said \$1,000; provided, however, that in the case of a deed, instrument or writing creating a lease for a term of years the tax shall be computed according to the provisions of this section, except that when the annual rental or royalty*

(1) cannot be determined, or

(2) if multiplied by the term for which the lease runs shall equal or exceed the actual value of the property leased, then the tax shall be computed upon the actual value of the property at the date of lease.

Sec. 3. [287.23] Real estate situated outside state. *If any deed, instrument, or writing shall describe any real estate situate outside of this state, the tax imposed by this article shall be measured upon such proportion of the consideration (exclusive of the value of any lien or encumbrance, evidenced by a recorded mortgage, remaining thereon at the time of sale) as the value of the real estate therein described situate in this state bears to the value of the whole of the*

real estate described therein as determined by the commissioner of taxation upon application of either party to the deed, instrument, or writing.

Sec. 4. [287.24] Mortgage registry tax, exception. *The tax imposed by this article shall not apply with respect to any deed, instrument, or writing given or taken as security for a debt upon which the mortgage registry tax has been paid; provided, that payment of the tax imposed by this article shall not operate to prevent the imposition of mortgage registry tax under the provisions of Minnesota Statutes 1957, Chapter 287.*

Sec. 5. [287.25] Liability for tax. *The tax imposed by this article shall be paid by the grantor or vendor who makes, signs, issues, or sells any deed, instrument, or writing subject to the tax imposed by this article. The United States or any agency or instrumentality thereof, the State of Minnesota or any agency or instrumentality thereof and any political subdivision of the State of Minnesota shall not be liable for the tax with respect to a deed, instrument, or writing to which it is a party.*

Sec. 6. [287.26] Payment prior to recordation; evidentiary effect of document without tax paid. *No deed, instrument, or writing shall be recorded or registered by any register of deeds or registrar of titles unless it shall contain the statement of the grantor or vendor setting forth the amount of tax due under this article; nor shall any such deed, instrument, or writing be recorded or registered unless the deed, instrument, or writing shall bear the endorsement of the county treasurer as provided in section 7; nor shall any such document or any record thereof be received in evidence in any court or have any validity as notice or otherwise; but, if the deed, instrument, or writing be stamped "exempt from deed tax" pursuant to section 7, or if the tax be paid, no error in the statement of the grantor or vendor and no error in the determination of exemption or in the computation or ascertainment of the amount of the tax shall affect the validity of such deed, instrument, or writing or the record thereof.*

Sec. 7. [287.27] Payment; receipt; notation of exemption. *The tax imposed by this article shall be paid to the treasurer of the county in which the land affected or some part thereof is situate at or before the time of filing the deed, instrument, or writing for record or registration. The treasurer shall endorse his receipt on the deed, instrument, or writing, and such receipt shall be recorded with the deed, instrument, or writing and such receipt or the record thereof*

shall be conclusive proof that the tax has been paid in the amount therein stated and shall authorize any register of deeds or registrar of titles to record the deed, instrument, or writing. Its form, in substance, shall be "Deed tax hereon of dollars paid." If such deed, instrument, or writing be exempt from the tax herein imposed, or is not taxable under this article, the endorsement shall be "Exempt from deed tax", to be signed in either case by the treasurer. In case the treasurer shall be unable to determine whether a claim of exemption shall be allowed, the tax shall be paid to the clerk of the district court of the county to abide the order of such court made upon motion of the county attorney, or of the claimant upon notice as required by the court. When any such deed, instrument or writing affects real property situated in more than one county in this state the whole of such tax shall be paid to the treasurer of the county where the deed, instrument, or writing is first presented for record or registration and the payment shall be receipted as above provided. Any deed, instrument, or writing or counterpart of any deed, instrument, or writing previously recorded or registered may be recorded or registered in any other county or in more than one place in the records of a particular county without the payment of a tax.

Sec. 8. [287.28] Refundment. *The commissioner of taxation shall have power to order the refundment in whole or in part of any tax imposed under this article which has been erroneously or unjustly paid. Such refund shall be paid out of the general revenue fund of the state and moneys therefor are annually appropriated for such purpose. Application therefor shall be submitted with a statement of facts in the case. Such order shall be made only on written application of the taxpayer to the commissioner and shall be valid only if approved in writing by the attorney general.*

Sec. 9. [287.29] Payment of receipts and collections to state; report; records. *Subdivision 1. On the last day of each month the county treasurer shall determine his receipts and collections under this article during such month up to and including the last day of the month and shall, on or before the tenth day of the following month, pay all such moneys to the state treasurer who shall deposit the same in the state treasury to the credit of the general revenue fund.*

Subd. 2. Within twenty days after the payment date provided in subdivision 1, the state treasurer shall make a report to the commissioner of taxation setting forth the amounts received from each county under this article.

Subd. 3. The county auditors, county treasurers and the register of deeds and registrar of titles of each county shall keep such records and make such reports with respect to the tax imposed by this article as the commissioner of taxation shall prescribe.

Sec. 10. [287.30] County officers; coverage of official bond. *The duties imposed by this article upon county treasurers, county auditors, and the register of deeds and registrar of titles in each county shall be within the duties of each of said offices and shall be within the coverage of any official bond delivered to the state, conditioned that such officers shall faithfully execute the duties of their office.*

Sec. 11. [287.31] Commissioner of taxation; duties, expenses. *Subdivision 1. The tax with respect to any deed, instrument, or writing which has been recorded or registered without the payment of the tax due thereon may be assessed by the commissioner of taxation and collected in the manner provided for the collection of taxes due under the provisions of Minnesota Statutes 1957, Chapter 290. The commissioner shall enforce the provisions of this article and shall have all of the powers prescribed in Minnesota Statutes 1957, Chapter 270 and Chapter 290. He may prescribe rules and regulations not inconsistent with this article for its detailed and efficient administration. In the enforcement of this article, the commissioner may call upon any county attorney or the attorney general for assistance and may appoint such additional employees as may be required to administer this article.*

Subd. 2. Expenses of the administration of this article to be paid out of appropriations to the commissioner for the administration thereof shall include fees and expenses incurred by the attorney general and any county attorney in litigation in connection with this article and all other costs and expenses.

Sec. 12. [287.32] Violations. *Subdivision 1. Any register of deeds or registrar of titles who accepts for record any deed, instrument, or writing in violation of the provisions of this article shall be guilty of a misdemeanor.*

Subd. 2. Any person who in any manner knowingly attempts to evade the tax imposed by this article or who knowingly aids or abets in the evasion or attempted evasion of the tax or who knowingly violates the provisions of this article shall be guilty of a misdemeanor.

Sec. 13. [287.33] Mortgage defined. *"Mortgage" as used in this article shall have the meaning ascribed to such*

term by Minnesota Statutes 1957, Section 287.01, subdivision 3.

Sec. 14. *There is hereby appropriated from the general revenue fund of the state the sum of \$25,000 to be used by the commissioner of taxation in the administration of this act to June 30, 1961.*

Sec. 15. [287.34] **Governmental agencies; exemptions.** *When the United States or any agency or instrumentality thereof, the State of Minnesota or any agency or instrumentality thereof, or a political subdivision of the State of Minnesota shall present a deed, instrument or writing to the treasurer of a county upon which a tax due hereunder has not been paid, the treasurer shall stamp the deed, instrument, or writing "Exempt from deed tax" and shall make a report to the commissioner of taxation of the amount of tax due thereon from any party liable therefor. Such deed, instrument, or writing shall be acceptable for recording or registration in the same manner and shall have the same force and effect as any deed, instrument or writing upon which a tax imposed under this article has been paid.*

Sec. 16. [287.35] **Constitutional exemptions.** *This article shall not apply with respect to the making, filing, issuing, or selling of any deed, instrument, or writing where such making, signing, issuing, or selling may not under the Constitution of this state or under the Constitution or laws of the United States be made the subject of taxation by this state.*

Sec. 17. [287.36] **Effective date.** *The provisions of this article shall be effective August 1, 1959, provided that any appropriations made hereunder shall be immediately available.*

ARTICLE XIII

Section 1. *Except as provided in Article II, if any section or article is found to be unconstitutional and void, the remaining sections and articles are hereby declared to be severable and shall remain valid.*

Approved June 30, 1959.

EXTRA SESSION CHAPTER 71—H. F. No. 8

[Coded]

An act relating to education, codifying the statutes relating thereto; repealing Minnesota Statutes 1957, Sections