

Section 1. Minnesota Statutes 1957, Section 290.071, is amended by adding a new subdivision to read:

[Subd. 6] Breach of contract damages.

(a) **General rule.** *If an amount representing damages is received or accrued by a taxpayer during a taxable year as a result of an award in a civil action for breach of contract or breach of a fiduciary duty or relationship, then the tax attributable to the inclusion in gross income for the taxable year of that part of such amount which would have been received or accrued by the taxpayer in a prior taxable year or years but for the breach of contract, or breach of a fiduciary duty or relationship, shall not be greater than the aggregate of the increases in taxes which would have resulted had such part been included in gross income for such prior taxable year or years.*

(b) **Credits and deductions allowed in computation of tax.** *The taxpayer in computing said tax shall be entitled to deduct all credits and deductions for depletion, depreciation, and other items to which he would have been entitled, had such income been received or accrued by the taxpayer in the year during which he would have received or accrued it, except for such breach of contract or for such breach of a fiduciary duty or relationship. The credits, deductions, or other items referred to in the prior sentence, attributable to property, shall be allowed only with respect to that part of the award which represents the taxpayer's share of income from the actual operation of such property.*

(c) **Limitation.** *Paragraph (a) shall not apply unless the amount representing damages is \$3,000 or more.*

Sec. 2. *The provisions of this act shall be applicable to taxable years beginning after December 31, 1960.*

Approved April 10, 1961.

CHAPTER 261—S. F. No. 1288

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1957, Section 290.18, Subdivision 1.

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

Changes or additions indicated by italics, deletions by ~~strikeout~~.

Section 1. Minnesota Statutes 1957, Section 290.18, Subdivision 1, is amended to read:

290.18 Taxable net income, adjusted gross income; computation. Subdivision 1. **Taxable net income.** The taxable net income shall, except in so far as section 290.19 is applicable, be computed by deducting from the gross income assignable to this state under section 290.17 deductions of the kind permitted by section 290.09 in accordance with the following provisions:

(1) Such deductions shall be allowed to the extent that they are connected with and allocable against the production or receipt of such gross income assignable to this state;

(2) That proportion of such deductions, so far as not connected with and allocable against the production or receipt of such gross income assignable to this state and so far as not connected with and allocable against the production or receipt of gross income assignable to other states or countries and so far as not entering into the computation of the net income assignable to this state under section 290.19, shall be allowed which the taxpayer's *adjusted* gross income from sources within this state, as determined under section 290.17, clauses (1), (2), (3), and (5), bears to his *adjusted* gross income from all sources, including that entering into the computations provided for by section 290.19; provided that taxes of the kind deductible under section 290.09, clause (3), shall, so far as within the description of deductions deductible under this clause, be deductible in their entirety if paid to the State of Minnesota, or any of its subdivisions authorized to impose such taxes, and thereupon be excluded in making the computation of deductions, as in this clause provided.

Approved April 10, 1961.

CHAPTER 262—S. F. No. 1366

An act relating to inheritance and transfer taxes; amending Minnesota Statutes 1957, Section 291.11, Subdivision 2.

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

Section 1. Minnesota Statutes 1957, Section 291.11, Subdivision 2, is amended to read:

Changes or additions indicated by *italics*, deletions by ~~strikeout~~.