

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

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

Approved April 20, 1961.

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CHAPTER 508—S. F. No. 1292

*An act relating to taxes on and measured by net income; amending Minnesota Statutes 1957, Section 290.21.*

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

Section 1. Minnesota Statutes 1957, Section 290.21, is amended to read:

**290.21 Credits against taxable net income.**

*Subdivision 1.* The taxes imposed by this chapter shall be on or measured by, as the case may be, the taxable net income less the following credits ~~against it~~:

~~(1)~~ *Subd. 2.* A credit of \$500 in the case of each corporation.

~~(2)~~ *Subd. 3.* An amount for contribution or gifts made within the taxable year;

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(a) to or for the use of the State of Minnesota, or any of its political subdivisions for exclusively public purposes,

(b) to or for the use of any community chest, corporation, organization, trust, fund, association, or foundation located in and carrying on substantially all of its activities within this state, organized and operating exclusively for religious, charitable, public cemetery, scientific, literary, artistic, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual,

(c) to a fraternal society, order, or association, operating under the lodge system, located in and carrying on substantially all of their activities within this state if such contributions or gifts are to be used exclusively for the purposes specified in ~~clause (2) subdivision 3~~ (b), or for or to posts or organizations of war veterans or auxiliary units or societies of such posts or organizations, if they are within the state and no part of their net income inures to the benefit of any private shareholder or individual,

(d) to or for the use of the United States of America for exclusively public purposes, and to or for the use of any community chest, corporation, trust, fund, association, or foundation, organized and operated exclusively for any of the purposes specified in ~~clauses (2) subdivision 3~~ (b) and ~~(2) (c) no part of the net earnings of which inures to the benefit of any private shareholder or individual~~, but not carrying on substantially all of their activities within this state, in an amount equal to the ratio of Minnesota taxable net income to total net income,

(e) to a political party, as defined in ~~section 200.08 Laws 1959, Chapter 675, Article I, Section 2, Subdivision 7~~, or a political candidate, as defined in ~~section 211.01 Laws 1959, Chapter 675, Article XII, Section 1~~, or a political cause when sponsored by any party or association or committee, as defined in ~~section 211.01 Laws 1959, Chapter 675, Article XII, Section 1~~, in a maximum amount not to exceed the following:

(1) contributions made by individual natural persons, \$100,

(2) contributions made by a national committeeman, national committeewoman, state chairman, or state chair-

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woman of a political party, as defined in ~~section 200.08~~ *Laws 1959, Chapter 675, Article 1, Section 2, Subdivision 7*, \$1,000,

(3) contributions made by a congressional district committeeman or committeewoman of a political party, as defined in ~~section 200.08~~ *Laws 1959, Chapter 675, Article 1, Section 2, Subdivision 7*, \$350,

(4) contributions made by a county chairman or county chairwoman of a political party, as defined in ~~section 200.08~~ *Laws 1959, Chapter 675, Article 1, Section 2, Subdivision 7*, \$150;

(f) in the case of an individual, the total credit against taxable net income hereunder shall not exceed 20 percent of the taxpayer's taxable net income,

(g) in the case of a corporation, the total credit against net income hereunder shall not exceed 15 percent of the taxpayer's taxable net income less the credits allowable under this section other than those for contributions or gifts,

(h) in the case of a corporation reporting its taxable income on the accrual basis, if—(A) the board of directors authorizes a charitable contribution during any taxable year, and (B) payment of such contribution is made after the close of such taxable year and on or before the fifteenth day of the third month following the close of such taxable year; then the taxpayer may elect to treat such contribution as paid during such taxable year. The election may be made only at the time of the filing of the return for such taxable year, and shall be signified in such manner as the commissioner shall by regulations prescribe.

~~(3)~~ *Subd. 4.* (a) 85 percent of dividends received by a corporation during the taxable year from another corporation, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom. ~~The~~ remaining 15 percent shall be allowed if the recipient owns 80 percent or more of all the voting stock of such other corporation, and the dividends were paid from income arising out of business done in this state by the corporation paying

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such dividends; but if the income out of which the dividends are declared was derived from business done within and without this state, then so much of the remainder shall be allowed as a credit as the amount of the taxable net income of the corporation paying the dividends assignable to this state bears to the entire net income of the corporation, such rate being determined by the returns under this chapter of the corporation paying such dividends for the taxable year preceding the distribution thereof; except that with respect to dividends distributed during the year 1933 the rate shall be determined by the corporation's return for that year; the burden shall be on the taxpayer of showing that the amount of remainder claimed as a credit has been received from income arising out of business done in this state,

(b) if the trade or business of the taxpayer consists principally of the holding of the stocks and the collection of the income and gains therefrom, dividends received by a corporation during the taxable year from another corporation, if the recipient owns 80 percent or more of all the voting stock of such other corporation, from income arising out of business done in ~~the~~ *this* state by the corporation paying such dividends; but, if the income out of which the dividends are declared was derived from business done within and without this state, then so much of the dividends shall be allowed as credit as the amount of the taxable net income of the corporation paying the dividends assignable to this state bears to the entire net income of the corporation, such rate being determined by the returns under this chapter of the corporation paying such dividends for the taxable year preceding the distribution thereof; except that with respect to dividends distributed during the year 1933 the rate shall be determined by the corporation's return for that year. The burden shall be on the taxpayer of showing that the amount of dividends claimed as a credit has been received from income arising out of business done in this state.

~~(4)~~ *Subd. 5.* ~~†~~To each mutual savings bank organized and existing as such under the laws of this state, an amount equal to the interest and dividends paid or credited during the taxable year of its depositors.

~~(5)~~ *Subd. 6.* ~~†~~To each regulated investment company, as that term is defined and limited by section 851 of the Internal Revenue Code of 1954, an amount equal to the interest and dividends paid during the taxable year, and to each building and loan and savings and loan association, an

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amount equal to the dividends paid during the taxable year to its members as members. For the purposes of this paragraph any dividend or portion thereof declared by a regulated investment company after the close of the taxable year and prior to the time prescribed by law for the filing of its return for the taxable year (including the period of any extension of time granted for filing such return) shall, to the extent the company so elects in such return, be treated as having been paid during such taxable year, but only if distribution of such dividend is actually made to shareholders in the 12-month period following the close of such taxable year and not later than the date of the first regular dividend payment made after such declaration.

Approved April 20, 1961.

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CHAPTER 509—S. F. No. 1293

*An act relating to taxes on and measured by net income; amending Minnesota Statutes 1957, Section 290.49, Subdivision 1.*

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

Section 1. Minnesota Statutes 1957, Section 290.49, Subdivision 1, is amended to read:

290.49 **Time limit on assessment, collection.** Subdivision 1. **Assessment, generally.** Except as otherwise provided in this chapter the amount of taxes assessable with respect to all taxable years ending after January 1, 1937, shall be assessed within three and one-half years after the return is filed. Such taxes shall be deemed to have been assessed within the meaning of this section whenever the commissioner shall have determined the taxable net income of the taxpayer and computed and recorded the amount of tax with respect thereto, and if the amount is found to be in excess of that originally declared on the return, whenever the commissioner shall have prepared a notice of tax assessment and mailed the same to the taxpayer. ~~The notice of tax assessment~~ *assessment* shall be sent by registered mail to the post office address given in the return, and the record of such mailing shall be presumptive evidence of the giving of such

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