

mean gross income as defined in section 61 of the internal revenue code of 1954, as amended, *modified and adjusted in accordance with the provisions of sections 290.08, 290.17 and 290.65.*

Approved May 12, 1965.

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CHAPTER 404—S. F. No. 1254

*An act relating to taxes on and measured by net income defining stock exchanges; amending Minnesota Statutes 1961, Section 290.136, Subdivision 9.*

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

Section 1. Minnesota Statutes 1961, Section 290.136, Subdivision 9, is amended to read:

Subd. 9. **Income tax; stock exchanges; definitions relating to corporate reorganization.** (a) (1) For purposes of sections 290.131 through 290.136, the term "reorganization" means;

(A) a statutory merger or consolidation;

(B) the acquisition by one corporation, in exchange solely for all or a part of its voting stock, (*or in exchange solely for all or a part of the voting stock of a corporation which is in control of the acquiring corporation*), of stock of another corporation if, immediately after the acquisition, the acquiring corporation has control of such other corporation (whether or not such acquiring corporation had control immediately before the acquisition);

(C) the acquisition by one corporation, in exchange solely for all or a part of its voting stock (or in exchange solely for all or a part of the voting stock of a corporation which is in control of the acquiring corporation), of substantially all of the properties of another corporation, but in determining whether the exchange is solely for stock the assumption by the acquiring corporation of a liability of the other, ~~of~~ *or* the fact that property acquired is subject to a liability, shall be disregarded;

(D) a transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor, or one or more of its shareholders (including persons who were shareholders immediately before the transfer), or any combination thereof, is in control of the corporation to which the assets are transferred; but only if, in pursuance of the plan, stock or se-

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

curities of the corporation to which the assets are transferred are distributed in a transaction which qualifies under subdivision 2, 3, or 4;

(E) a recapitalization; or

(F) a mere change in identity, form, or place or organization, however effected.

(2) (A) If a transaction is described in both paragraph (1) (C) and paragraph (1) (D), then, for purposes of sections 290.131 through 290.138, such transaction shall be treated as described only in paragraph (1) (D).

(B) If — (i) one corporation acquires substantially all of the properties of another corporation,

(ii) the acquisition would qualify under paragraph (1) (C) but for the fact that the acquiring corporation exchanges money or other property in addition to voting stock, and

(iii) the acquiring corporation acquires, solely for voting stock described in paragraph (1) (C), property of the other corporation having a fair market value which is at least 80 percent of the fair market value of all of the property of the other corporation, then such acquisition shall (subject to subparagraph (a) of this paragraph) be treated as qualifying under paragraph (1) (C). Solely for the purpose of determining whether part (iii) of the preceding sentence applies, the amount of any liability assumed by the acquiring corporation, and the amount of any liability to which any property acquired by the acquiring corporation is subject, shall be treated as money paid for the property.

(C) A transaction otherwise qualifying under paragraph (1) (A), (1) (B) or paragraph (1) (C) shall not be disqualified by reason of the fact that part or all of the assets *or stock* which were acquired in the transaction are transferred to a corporation controlled by the corporation acquiring such assets *or stock*.

(b) For purposes of this section the term “a party to a reorganization” includes

(1) a corporation resulting from a reorganization, and

(2) both corporations, in the case of a reorganization resulting from the acquisition by one corporation of stock or properties of another. In the case of a reorganization qualifying under paragraph (1) (B) or (1) (C) of clause (a), if the stock ex-

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changed for the properties is stock of a corporation which is in control of the acquiring corporation, the term "a party to a reorganization" includes the corporation so controlling the acquiring corporation. In the case of a reorganization qualifying under paragraph (1) (A), (1) (B), or (1) (C) of clause (a) by reason of paragraph (2) (C) of clause (a), the term "a party to a reorganization" includes the corporation controlling the corporation to which the acquired assets are transferred.

(c) For purposes of sections 290.131 through 290.136, except section 290.131, subdivision 4, the term "control" means the ownership of stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total number of shares of all other classes of stock of the corporation.

Approved May 12, 1965.

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CHAPTER 405—S. F. No. 1377

*An act relating to the observance of Arbor Day; amending Minnesota Statutes 1961, Section 126.11, Subdivision 1.*

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

Section 1. Minnesota Statutes 1961, Section 126.11, Subdivision 1, is amended to read:

126.11 **Arbor Day.** Subdivision 1. The ~~first last~~ Friday in ~~May~~ *April* is designated Arbor Day. On that day there may be special observances throughout the state celebrating and emphasizing the importance of cultivating forest, fruit and ornamental trees. In the public schools of the state, time may be devoted by the teachers, either in the classroom or outside of the classroom, to appropriate instructions and exercises commemorating the history and tradition of Arbor Day observances in the past and illustrating the future value to the state of cultivating, planting and developing the trees and forest resources. These observances shall not consume more than one-half of the normal school day.

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