

The supplemental pension provided for in this subdivision shall be paid from the general revenue fund and such moneys as are required for its payment are hereby annually appropriated to the teachers retirement fund.

Sec. 2. *This act shall take effect upon its passage.*

Approved May 22, 1965.

CHAPTER 645—H. F. No. 1239

[Coded]

An act relating to interest on deferred payments and taxes on and measured by net income.

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

Section 1. [290.079] **Income tax; interest on certain deferred payments.** Subdivision 1. **Amount constituting interest.** For purposes of Chapter 290, in the case of any contract for the sale or exchange of property there shall be treated as interest that part of a payment to which this section applies which bears the same ratio to the amount of such payment as the total unstated interest under such contract bears to the total of the payments to which this section applied which are due under such contract.

Subd. 2. **Total unstated interest.** For purposes of this section, the term "total unstated interest" means, with respect to a contract for the sale or exchange of property, an amount equal to the excess of:

(1) the sum of the payments to which this section applies which are due under the contract, over

(2) the sum of the present values of such payments and the present values of any interest payments due under the contract.

For purposes of paragraph (2), the present value of a payment shall be determined, as of the date of the sale or exchange, by discounting such payment at the rate, and in the manner, provided in regulations prescribed by the commissioner. Such regulations shall provide for discounting on the basis of 6-month brackets and shall provide that the present value of any interest payment due not more than 6 months after the date of the sale or exchange is an amount equal to 100 percent of such payment.

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

Subd. 3. Payments to Which Section Applies.—(1) In general.—Except as provided in Subdivision 6, this section shall apply to any payment on account of sale or exchange of property which constitutes part or all of the sales price and which is due more than 6 months after the date of such sale or exchange under a contract.—

(A) under which some or all of the payments are due more than one year after the date of such sale or exchange, and

(B) under which, using a rate provided by regulations prescribed by the commissioner for purposes of this subparagraph, there is total unstated interest.

Any rate prescribed for determining whether there is total unstated interest for purposes of subparagraph (B) shall be at least one percentage point lower than the rate prescribed for purposes of Subdivision 2 (2).

(2) Treatment of Evidence of Indebtedness.—For purposes of this section, an evidence of indebtedness of the purchaser given in consideration for the sale or exchange of property shall not be considered a payment, and any payment due under such evidence of indebtedness shall be treated as due under the contract for the sale or exchange.

Subd. 4. Payments That Are Indefinite as to Time, Liability, or Amount. In the case of a contract for the sale or exchange of property under which the liability for, or the amount or due date of, any portion of a payment cannot be determined at the time of the sale or exchange, this section shall be separately applied to such portion as if it (and any amount of interest attributable to such portion) were the only payments due under the contract; and such determinations of liability, amount, and due date shall be made at the time payment of such portion is made.

Subd. 5. Change in Terms of Contract. If the liability for, or the amount or due date, of, any payment (including interest) under a contract for the sale or exchange of property is changed, the "total unstated interest" under the contract shall be recomputed and allocated (with adjustment for prior interest (including instated interest) payments) under regulations prescribed by the commissioner.

Subd. 6. Exceptions and Limitations. (1) Sales price of \$3,000 or less. This section shall not apply to any payment on account of the sale or exchange of property if it can be determined at the time of such sale or exchange that the sales price cannot exceed \$3,000.

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(2) Carrying charges. In the case of the purchaser, the tax treatment of amounts paid on account of the sale or exchange of property shall be made without regard to this section if any such amounts are treated under section 290.09, Subdivision 3 (c) as if they included interest.

(3) Treatment of Seller. In the case of the seller, the tax treatment of any amounts received on account of the sale or exchange of property shall be made without regard to this section if no part of any gain on such sale or exchange would be considered as gain from the sale or exchange of a capital asset or property described in section 290.16, Subdivision 9.

(4) Annuities. This section shall not apply to any amount the liability for which depends on whole or in part on the life expectancy of one or more individuals and which constitutes an amount received as an annuity to which section 290.08, Subdivision 4 applies.

Sec. 2. The provisions of this act shall be applicable to taxable years beginning after December 31, 1964.

Approved May 22, 1965.

CHAPTER 646—H. F. No. 1428

[Not Coded]

An act appropriating moneys to the state employees retirement association for unpaid employer contributions for certain service contract employees of the department of military affairs.

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

Section 1. **State employees retirement; department of military affairs; contribution.** There is appropriated from any moneys in the state treasury, not otherwise appropriated, the sum of \$54,730.10 to the fund of the state employees retirement association, covering employer contributions and additional employer contributions owing to the fund of the association by the department of military affairs for service contract employees for whom required contributions have not been made on payroll abstracts as required by law from July 1, 1957 to November 30, 1964.

Approved May 22, 1965.

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