velopment and all personnel engaged in connection therewith are likewise transferred to the state planning officer. All powers and duties of the department of business development in relation thereto as heretofore constituted, are hereby abolished.

Sec. 9. *Except for the provisions of this act creating an office of local and urban affairs within the state planning agency the provisions of the act are in effect on July 1, 1967. The provisions relating to the creation of the office of local and urban affairs is in effect from and after the act's final enactment.*

Approved May 25, 1967.

CHAPTER 899—H. F. No. 2605

An act relating to taxation; permitting the deduction of certain disaster losses from income for income tax purposes; amending Minnesota Statutes 1965, Section 290.09, Subdivision 5.

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

Section 1. Minnesota Statutes 1965, Section 290.09, Subdivision 5, is amended to read:

Subd. 5. **Income tax; deduction of disaster losses.** (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 stock and securities shall be taken into account only to the extent of gains therefrom.

(h) **Disaster losses.** (1) Notwithstanding the provisions of (a), any loss

(A) attributable to a disaster which occurs during the period following the close of the taxable year and on or before the time prescribed by law for filing the income tax return for the taxable year (determined without regard to any extension of time), and

(B) occurring in an area subsequently determined by the President of the United States to warrant assistance by the Federal Government under section 1855-1855g of Title 42, U.S.C.A., at the election of the taxpayer, may be deducted for the taxable year immediately preceding the taxable year in which the disaster occurred. Such election may be made only if a similar election has been made under the provisions of Section 165(h) of the Internal Revenue Code of 1954, as amended, for federal income tax purposes. Such deduction shall not be in excess of so much of the loss as would have been deductible in the taxable year in which the casualty occurred. If an election is made under this paragraph, the casualty resulting in the loss will be deemed to have occurred in the taxable year for which the deduction is claimed.

(2) The commissioner is authorized to prescribe regulations providing the time and manner of making an election to claim a disaster loss under this clause; provided, however, that such an election relating to a disaster loss occurring during the first three and one-half months of the year 1965 may be made no later than December 31, 1965.

(i) **Election.** *In lieu of the deduction allowed by (a) or (h) any loss not compensated for by insurance or otherwise:*

(1) Attributable to storm or other natural causes or fire, may, at the election of the taxpayer, be claimed as a deduction in the taxable year in which said loss is sustained or in the preceding taxable year.

(2) In the event that under the provisions of this paragraph, a taxpayer claims the same disaster loss deduction or a net operating loss deduction resulting from the inclusion of a casualty loss in the calculation of such deduction in different taxable years for state and federal purposes, appropriate modifications shall be allowed or

required for taxable years affected in order to prevent duplication or omission of such deduction.

(3) The commissioner is authorized to prescribe regulations providing the time and manner to make an election to claim a loss under the provisions of this paragraph and for the filing of an amended return or claim for refund.

Approved May 25, 1967.

CHAPTER 900—H. F. No. 1117

An act relating to taxes on and measured by net income and compensation received for injury or sickness; amending Minnesota Statutes 1965, Section 290.08, Subdivision 5.

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

Section 1. Minnesota Statutes 1965, Section 290.08, Subdivision 5, is amended to read:

Subd. 5. **Income tax; 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 seven 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