

cant land, the fact that such land is platted shall not be taken into account. It shall be the duty of every assessor and board, in determining the value of lands for the purpose of taxation, and in fixing the assessed value thereof, to consider and give due weight to lands which are comparable in character, quality, and location, to the end that all lands similarly located and improved will be assessed upon a uniform basis and without discrimination.

Approved May 22, 1969.

CHAPTER 575—H. F. No. 1663

An act relating to taxes on and measured by net income and medical expense deduction and reimbursement; amending Minnesota Statutes 1967, Sections 290.01, Subdivision 20; 290.08, Subdivision 5; and 290.09, Subdivision 10.

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

Section 1. Minnesota Statutes 1967, Section 290.01, Subdivision 20, is amended to read:

Subd. 20. **Taxation; income tax; medical expense deductions and reimbursement.** Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.

The term "gross income" in its application to individuals, estates and trusts means the adjusted gross income as computed for federal income tax purposes as defined in the laws of the United States for the taxable year with the modifications specified in this section.

(a) Modifications increasing federal adjusted gross income. There shall be added to federal adjusted gross income:

(1) Interest income on obligations of any state other than Minnesota or a political subdivision of any such other state exempt from federal income taxes under the Internal Revenue Code;

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(2) Interest income on obligations of any authority, commission, or instrumentality of the United States, which the laws of the United States exempt from federal income tax, but not from state income taxes;

(3) Income taxes imposed by this state or any other taxing jurisdiction; to the extent deductible in determining federal adjusted gross income and not credited against federal income tax; ~~and~~

(4) Interest on indebtedness incurred or continued to purchase or carry securities the income from which is exempt from tax under chapter 290, to the extent deductible in determining federal adjusted gross income; ~~and~~

(5) *Amounts received as reimbursement for an expense of sickness or injury which was deducted in a prior taxable year to the extent that the deduction for such reimbursed expenditure resulted in a tax benefit.*

(b) Modifications reducing federal adjusted gross income. There shall be subtracted from federal adjusted gross income:

(1) Interest income on obligations of any authority, commission or instrumentality of the United States to the extent includible in gross income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) The portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to fifty per centum of such portion of the gain;

(3) Interest or dividend income on securities to the extent exempt from income tax under the laws of this state authorizing the issuance of such securities but includible in gross income for federal income tax purposes.

(c) Modifications affecting shareholders of electing small business corporations under section 1372 of the Internal Revenue Code or section 290.972 of this chapter.

(1) Shareholders in a small business corporation, which has elected to be so taxed under the Internal Revenue Code but has not made an election under section 290.972 of this chapter, shall deduct from federal adjusted gross income the amount of any imputed income from such corporation and shall add to federal adjusted gross

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income the amount of any loss claimed as a result of such stock ownership. Also there shall be added to federal adjusted gross income the amount of any distributions in cash or property made by said corporation to its shareholders during the taxable year.

(2) In cases where the small business corporation has made an election under section 1372 of the Internal Revenue Code but has not elected under section 290.972 of this chapter and said corporation is liquidated or the individual shareholder disposes of his stock and there is no capital loss reflected in federal adjusted gross income because of the fact that corporate losses have exhausted the shareholders basis for federal purposes, such shareholders shall be entitled, nevertheless, to a capital loss commensurate to their Minnesota basis for the stock.

(3) In cases where the election under section 1372 of the Internal Revenue Code antedates the election under section 290.972 of this chapter and at the close of the taxable year immediately preceding the effective election under 290.972 the corporation has a reserve of undistributed taxable income previously taxed to shareholders under the provisions of the Internal Revenue Code, in the event and to the extent that such reserve is distributed to shareholders such distribution shall be taxed as a dividend for purposes of this act.

Items of gross income includible within these definitions shall be deemed such regardless of the form in which received. Items of gross income shall be included in gross income of the taxable year in which received by a taxpayer unless properly to be accounted for as of a different taxable year under methods of accounting permitted by section 290.07, except that (1) amounts transferred from a reserve or other account, if in effect transfers to surplus, shall, to the extent that such amounts were accumulated through deductions from gross income or entered into the computation of taxable net income during any taxable year, be treated as gross income for the year in which the transfer occurs, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act, and (2) amounts received as refunds on account of taxes deducted from gross income during any taxable year shall be treated as gross income for the year in which actually received, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act. If a husband and wife have filed a joint federal income tax return and separate Minnesota income tax returns for the same taxable period, amounts received as refunds on account of federal income taxes paid shall be included in gross income in the same ratio as the deductions for federal income taxes were claimed in the separate Minnesota tax returns.

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(d) Modification in computing taxable income of the estate of a decedent. Amounts allowable under section 291.07, *subdivision 1* (2) in computing Minnesota inheritance tax liability shall not be allowed as a deduction in computing the taxable income of the estate unless there is filed within the time and in the manner and form prescribed by the commissioner a statement that the amounts have not been allowed as a deduction under section 291.07 and a waiver of the right to have such amounts allowed at any time as deductions under section 291.07. The provisions of this paragraph shall not apply with respect to deductions allowed under section 290.077 (relating to income in respect of decedents). In the event that the election made for federal tax purposes under section 642(g) of the Internal Revenue Code differs from the election made under this paragraph appropriate modification of the estate's federal taxable income shall be made to implement the election made under this paragraph, in accordance with regulations prescribed by the commissioner.

Sec. 2. Minnesota Statutes 1967, Section 290.08, Subdivision 5, is amended to read:

Subd. 5. Compensation for death, sickness or injury; employer contributions to health plans; reimbursement. (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.

(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 or by agreement; and amounts received under an arrangement entered into by the taxpayer to provide a fund specifically intended to defray the funeral expenses of himself or any member of his family. The words "compensation" and "damages," as used in this subdivision, shall include reimbursement for medical, hospital, and funeral expenses in connection with such sickness, injury, or death.

(c) Contributions by an employer to accident or health plans for compensation (through insurance or otherwise) to his employée for personal injuries or sickness.

(d) *Where reimbursement, from insurance or otherwise, for medical expenses is received in a taxable year subsequent to a year in*

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which a deduction was claimed on account of such expenses, the reimbursement must be included in gross income in such subsequent year to the extent attributable to (and not in excess of) deductions allowed under section 290.09, subdivision 10 for any prior taxable year.

Sec. 3. Minnesota Statutes 1967, Section 290.09, Subdivision 10, is amended to read:

Subd. 10. **Medical expenses.** Payments (*not compensated for by insurance or otherwise*) for expenses for hospital, nursing, medical, surgical, dental, and other healing services, including institutional care and treatment for the mentally ill and physically handicapped, and for medical supplies and ambulance hire, incurred by the taxpayer on account of sickness, mental illness, physical handicap or personal injury to himself or his dependents and premiums paid for hospitalization and medical insurance including non-profit hospital service and non-profit medical service plans. Payments for traveling expenses shall not be deductible under the provisions of this subdivision. Payments for hotel or similar lodging expenses shall be deductible in the same manner as payments for hospital services, if the taxpayer or his dependent is not hospitalized but is nevertheless required to remain in a medical center away from his usual place of abode, for the purpose of receiving prescribed medical treatment.

Approved May 22, 1969.

CHAPTER 576—H. F. No. 2342

[Not Coded]

An act relating to the city of St. Louis Park and to the St. Louis Park fire department relief association and pension fund.

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

Section 1. **St. Louis Park; fire department relief association.** Subdivision 1. The director of finance of the city of St. Louis Park and the secretary or treasurer of the fire department relief association of the city of St. Louis Park, maintaining and administering a firemen's pension fund in accordance with Minnesota Statutes, Sections 424.01 to 424.31, shall, during the month of June of each year commencing in 1970 prepare and certify to the city manager an es-

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