

as a witness unless he is paid the fees provided for witnesses in the district court.

~~The bureau of women and children shall have power to enforce and cause to be enforced by complaint in any court or otherwise all laws and local ordinances relating to the health, morals, comfort, and general welfare of women and children.~~

Sec. 5. Minnesota Statutes 1974, Section 175.27, is amended to read:

175.27 DISCLOSURE OF NAMES OF PERSONS GIVING INFORMATION; REFUSAL TO TESTIFY; DENYING ADMISSION; PENALTY. Any ~~officer, agent, or~~ employee of the department of labor and industry who shall disclose the names of any persons supplying information at the request of such department shall be guilty of a misdemeanor. Any person who, having been duly subpoenaed, shall refuse to attend or testify in any hearing under the direction of the department of labor and industry shall be guilty of a misdemeanor. Any owner or occupant of any ~~factory, mill, workshop, engineering work, store, or other place enumerated in section 175.20; or agent of such person,~~ place of employment who shall refuse to admit thereto any ~~officer, agent or~~ employee of the department seeking entrance in the discharge of his duties, shall be guilty of a misdemeanor. Any person, firm, or corporation, or any of its officers or agents, who or which shall refuse to file with the department such reports as are required by it under the provisions of sections ~~175.18 to 175.20 and~~ 175.24 to 175.27 shall be guilty of a misdemeanor.

Sec. 6. Minnesota Statutes 1974, Sections 175.18; 175.19; 175.21; 175.22; 175.23; 175.28; 175.29; 175.30; 175.31; 175.32 are repealed.

Sec. 7. This act is effective July 1, 1975.

Approved June 4, 1975.

CHAPTER 349—H.F.No.229

[Coded in Part]

An act relating to taxes on or measured by net income; appropriating money; amending Minnesota Statutes 1974, Chapter 290, by adding a section; Sections 290.01, Subdivisions 8, 20, 21, and 22; and by adding subdivisions; 290.02; 290.06, Subdivisions 2c and 11; 290.0601, Subdivisions 6 and 9; 290.061; 290.086, Subdivision 7; 290.09, Subdivisions 4 and 15; 290.16, by adding a subdivision; 290.21, Subdivision 4; 290.26; 290.50, Subdivisions 1, 2 and 3; 290.92, Subdivisions 6 and 19; 290.931, Subdivision 1; 290.933, Subdivision 1; 290.972, Subdivision 2; 290.985; repealing Minnesota Statutes 1974, Sections 290.072; 290.08, Subdivisions 9, 10, 11, 15, 16, 17, 18 and 22; 290.0801; and 290.931, Subdivision 2.

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1974, Section 290.01, is amended by adding a subdivision to read:

Subd. 1a. TAXATION; INCOME TAX; MODIFICATIONS; UNIFORM PROBATE CODE. The definitions set forth in section 524.1-201, wherever appropriate to the administration of the provisions of chapter 290, are incorporated by reference herein.

Sec. 2. Minnesota Statutes 1974, Section 290.01, Subdivision 8, is amended to read:

Subd. 8. FIDUCIARY. The term "fiduciary" means a guardian, trustee, ~~executor, administrator,~~ receiver, conservator, personal representative, or any person acting in any fiduciary capacity for any person or corporation.

Sec. 3. Minnesota Statutes 1974, Section 290.01, is amended by adding a subdivision to read:

Subd. 8a. PERSONAL REPRESENTATIVE. The term "personal representative" includes executor, administrator, successor personal representative, special administrator, and persons who perform substantially the same function under the law governing their status.

Sec. 4. Minnesota Statutes 1974, Section 290.01, Subdivision 20, is amended to read:

Subd. 20. GROSS INCOME. 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.

For each of the taxable years beginning after December 31, 1960 and prior to January 1, 1971, the term "gross income" in its application to individuals, estates, and trusts, shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through December 31, 1970 for the applicable taxable year, with the modifications specified in this section.

For each of the taxable years beginning after December 31, 1970, the term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954,

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as amended through the date specified herein for the applicable taxable year, with the modifications specified in this section.

(i) The Internal Revenue Code of 1954, as amended through December 31, 1970, shall be in effect for taxable years beginning after December 31, 1970 and prior to January 1, 1973.

(ii) The Internal Revenue Code of 1954, as amended through December 31, 1972, shall be in effect for taxable years beginning after December 31, 1972.

(iii) The Internal Revenue Code of 1954, as amended through December 31, 1973, shall be in effect for taxable years beginning after December 31, 1973.

(iv) The Internal Revenue Code of 1954, as amended through December 31, 1974, shall be in effect for the taxable years beginning after December 31, 1974.

References to the Internal Revenue Code of 1954 in clauses (a), (b) and (c) following shall mean the code in effect for the purpose of defining gross income for the applicable taxable year.

(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 of 1954;

(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;

(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;

(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;

(6) Losses which do not arise from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to

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290.20, including any capital loss or net operating loss carryforwards or carrybacks resulting from such losses, and including any such non-assignable losses which occur prior to the time the individual becomes a resident of the state of Minnesota;

(7) The amount of any federal income tax overpayment for any previous taxable year, received as refund or credited to another taxable year's income tax liability, proportionate to the percentage of federal income tax that was claimed as a deduction in determining Minnesota income tax for such previous taxable year.

The overpayment refund or credit, determined with respect to a husband and wife on a joint federal income tax return for a previous taxable year, shall be reported on joint or separate Minnesota income tax returns. In the case of separate Minnesota returns, the overpayment shall be reported by each spouse proportionately according to the relative amounts of federal income tax claimed as a deduction on his or her separate Minnesota income tax return for such previous taxable year;

(8) In the case of a change of residence from Minnesota to another state or nation, the amount of moving expenses which exceed total reimbursements and which were therefore deducted in arriving at federal adjusted gross income;

(9) In the case of property disposed of on or after January 1, 1973, the amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954, as amended through December 31, ~~1972-1974~~, to the extent of the credit under section 38 of the Internal Revenue Code of 1954, as amended through December 31, ~~1972-1974~~, that was previously allowed as a deduction either under section 290.01, subdivision 20 (b) (9) or under section 290.09, subdivision 24; and

(10) Expenses and losses arising from a farm which are not allowable under section 290.09, subdivision 29.

(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;

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(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;

(4) Income which does not arise from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20;

(5) Losses, not otherwise reducing federal adjusted gross income assignable to Minnesota, arising from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks resulting from such losses;

(6) If included in federal adjusted gross income, the amount of any overpayment of income tax to Minnesota, or any other state, for any previous taxable year, whether such amount is received as a refund or credited to another taxable year's income tax liability;

(7) The amount of any pension or benefit which is excluded from gross income under the provisions of section 290.08, subdivision 6; and

(8) The amount of compensation for personal services in the armed forces of the United States or the United Nations which is excluded from gross income under the provisions of section 290.65; and

(9) In the case of property acquired on or after January 1, 1973, the amount of any credit to the taxpayer's federal tax liability under section 38 of the Internal Revenue Code of 1954, as amended through December 31, ~~1972~~ 1974, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter.

(c) Modifications affecting shareholders of electing small business corporations under section 1372 of the Internal Revenue Code of 1954, 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 of 1954, 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 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 of 1954, but has not elected under section 290.972 of this chapter and said corpora-

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tion 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 of 1954 antedates the election under section 290.972 of this chapter and at the close of the taxable year immediately preceding the effective election under section 290.972 the corporation has a reserve of undistributed taxable income previously taxed to shareholders under the provisions of the Internal Revenue Code of 1954, 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.

(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 of 1954 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. 5. Minnesota Statutes 1974, Section 290.01, Subdivision 21, is

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amended to read:

Subd. 21. **DIVIDENDS.** (1) The term "dividends" means any distribution made by a corporation to its shareholders, whether in money or in other property, (a) out of its earnings or profits accumulated after December 31, 1932, or (b) out of the earnings or profits of the taxable year (computed as of the close of the taxable year without diminution by reason of any distributions made during the taxable year), without regard to the amount of the earnings and profits at the time the distribution was made. Dividends paid in property other than cash shall be included in the recipient's income at the fair market value of such property on the date the action ordering their distribution was taken, or if no such action was taken, on the date of the actual payment or credit thereof to the shareholder.

(2) For the purposes of this section every distribution is presumed to be made out of earnings or profits to the extent thereof, and from the most recently accumulated earnings or profits. Any earnings or profits accumulated, or increase in value of tangible property with situs in Minnesota, accrued, before January 1, 1933, may be distributed exempt from tax, after the earnings and profits accumulated after December 31, 1932, have been distributed, but any such tax-free distribution shall be applied against and reduce the cost or other income tax basis of the stock with respect to which such distribution is made. If such or any similar tax-free distributions exceed such cost or other income tax basis, any excess shall be treated in the same manner as a gain from the sale or exchange of property for the taxable year in which received by the distributee.

(3) A distribution made by a corporation to its shareholders in its stock or in rights to acquire its stock shall not be treated as a dividend to the extent that it does not constitute income to the shareholder within the meaning of the Sixteenth Amendment to the Constitution of the United States. Whenever a distribution by a corporation is, at the election of any of the shareholders (whether exercised before or after the declaration thereof), payable either (a) in its stock or in rights to acquire its stock or (b) in money or any other property (including its stock or rights to acquire its stock) then the distribution shall constitute a taxable dividend in the hands of all shareholders, regardless of the medium in which paid. If a corporation cancels or redeems its stock, whether or not such stock was issued as a stock dividend, at such time and in such manner as to make the distribution and cancellation or redemption, in whole or in part, essentially equivalent to the distribution of a taxable dividend, the amount so distributed in cancellation or redemption of the stock shall be treated as a taxable dividend to the extent that it represents a distribution of earnings or profits.

(4) Amounts distributed in liquidation of a corporation shall be treated as payment in exchange for the stock, and the gain or loss to the distributee resulting from such exchange shall be determined under section 290.12, but shall be recognized only to the extent provided in

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section 290.13, and shall be taken into account in computing gross income and net income only to the extent provided in section 290.16 ; ~~subdivision 2~~ . No amounts received in liquidation shall be taxed as a gain until the distributee shall have received in liquidation an amount in excess of the applicable loss or gain basis of the stock in respect of which the distribution is received, and any such excess shall be taxed as gain in the year in which received. No amount received in liquidation shall be treated as the distribution of an ordinary dividend.

(5) Amounts distributed by a regulated investment company, as that term is defined and limited by section 851 of the Internal Revenue Code of 1954, as amended through December 31, ~~1972-1974~~ , which are designated as capital gain dividends, as that term is defined in section 852(b) (3) (C) of the Internal Revenue Code of 1954, as amended through December 31, ~~1972-1974~~ , shall be treated by the shareholders of such a company as gains from the sale or exchange of capital assets held for more than six months and shall be taken into account in computing net income only to the extent provided in section 290.16 ; ~~subdivision 2~~ .

Sec. 6. Minnesota Statutes 1974, Section 290.01, Subdivision 22, is amended to read:

Subd. 22. **TAXABLE NET INCOME.** The term "taxable net income" means the net income assignable to this state - ~~Where the tax is computed according to the schedule of taxes provided in section 290.06, subdivision 2; the term "taxable net income" means the adjusted gross income assignable to this state. In either case the taxable net income assignable to this state shall be determined as provided in sections 290.17 to 290.20 pursuant to sections 290.17 to 290.20 .~~

Sec. 7. Minnesota Statutes 1974, Section 290.02, is amended to read:

290.02 EXCISE TAX ON CORPORATIONS; IMPOSITION, MEASUREMENT. An annual ~~income excise~~ tax is hereby imposed upon every domestic corporation, except those included within section 290.03, for the privilege of existing as a corporation during any part of its taxable year, and upon every foreign corporation doing business within this state, except those included within section 290.03, including but not limited to railroad companies for the grant to it of the privilege of transacting or for the actual transaction by it of any local business within this state during any part of its taxable year, in corporate or organized form.

The tax so imposed shall be measured by such corporations' taxable net income for the taxable year for which the tax is imposed, and computed in the manner and at the rates provided in this chapter.

~~The legislature finds that the income tax imposed by this section is not a tax or assessment upon real estate, roads, rolling stock, or~~

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other personal property of railroad companies within the contemplation of Article IV, Section 32(a) of the Minnesota Constitution.

Sec. 8. Minnesota Statutes 1974, Section 290.06, Subdivision 2c, is amended to read:

Subd. 2c. **SCHEDULE OF RATES FOR INDIVIDUALS, ESTATES AND TRUSTS.** (a) For taxable years beginning after December 31, 1971, the income taxes imposed by chapter 290 upon individuals, estates and trusts, other than those taxable as corporations, shall be computed by applying to their taxable net income in excess of the applicable credits allowed by section 290.21, the following schedule of rates:

- (1) On the first \$500, one and six-tenths percent;
- (2) On the second \$500, two and two-tenths percent;
- (3) On the next \$1,000, three and five-tenths percent;
- (4) On the next \$1,000, five and eight-tenths percent;
- (5) On the next \$1,000, seven and three-tenths percent;
- (6) On the next \$1,000, eight and eight-tenths percent;
- (7) On the next \$2,000, ten and two-tenths percent;
- (8) On the next \$2,000, eleven and five-tenths percent;
- (9) On the next \$3,500, twelve and eight-tenths percent;
- (10) On all over \$12,500, and not over \$20,000, fourteen percent;
- (11) On the remainder, fifteen percent.

(b) In lieu of a tax computed according to the rates set forth in clause (a) of this subdivision, the tax of any individual taxpayer whose adjusted gross income for the taxable year is less than \$10,000, at his election taxable net income for the taxable year, reduced by the applicable credits allowed by section 290.21, is less than \$10,000 shall be computed in accordance with tables prepared and issued by the commissioner of revenue. ~~Such tables shall be prepared upon the same basis as the tables contained in Minnesota Statutes 1961, Section 290.06, taking into account, however, the increase in rates provided by clause (a) of this section based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision.~~

Sec. 9. Minnesota Statutes 1974, Section 290.06, Subdivision 11, is amended to read:

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Subd. 11. **CONTRIBUTIONS TO POLITICAL PARTIES AND CANDIDATES.** Effective for taxable years commencing after December 31, 1973, in lieu of the credit against taxable net income provided by section 290.21, subdivision 3, clause (e), a taxpayer may take a credit against the tax due under chapter 290 of 50 percent but not more than \$12.50 of his contributions to a political party and candidate. A married couple, filing jointly, may take a similar credit of not more than \$25. However, the taxpayer may take a credit for contributions of no more than \$5 in the case of an individual return or \$10 in the case of a joint return for contributions to a political party. For purposes of this subdivision, "candidate" means a candidate as defined in section 10A.01, subdivision 5. ~~Any taxpayer taking this credit shall attach to his individual income tax form a receipt or receipts substantiating his claim.~~ The department of revenue shall provide on the first page of the Minnesota tax form an appropriate provision for the credit provided by Laws 1974, Chapter 470.

This credit shall be allowed only if the contribution is verified in the manner the commissioner of revenue shall prescribe.

Sec. 10. Minnesota Statutes 1974, Section 290.0601, Subdivision 6, is amended to read:

Subd. 6. **TAXATION; INCOME TAX; RENT AND PROPERTY TAX CREDITS; CLAIMANT.** Claimant means a person who has filed a claim under sections 290.0601 to 290.0616 and 290.0618, has attained either the age of 65 or was eligible to receive "supplementary security income for the aged, blind, and disabled" provided under the social security amendments of 1972 (P.L. 92-603) or was eligible to receive social security aid to the disabled under USCA Title 42, Section 416, Paragraph (i)(1) or Section 423(d) during the calendar year for which the claim is filed, or who received disability pay from the armed forces under USCA Title 10, Section 1401 during the calendar year for which the claim was filed or is a former employee of the United States Postal Service who received disability pay under USCA Title 5, Section 8337 during the calendar year for which the claim was filed or is a former employee of a railroad who received disability pay under USCA Title 45, Section 228b during the calendar year for which the claim was filed and in all cases was domiciled in this state during the entire calendar year for which the claim for relief under sections 290.0601 to 290.0616 and 290.0618, was filed; provided, however, that with respect to a claim for the calendar year 1973, claimant shall mean a person who has filed a claim under sections 290.0601 to 290.0616 and 290.0618, has attained the age of 65 or has received aid to disabled persons under Minnesota Statutes 1971, Sections 256.451 to 256.475 or aid to blind persons under Minnesota Statutes 1971, Sections 256.49 to 256.71 during 1973 and was domiciled in this state during the entire calendar year 1973. In the case of claim for rent constituting property taxes accrued the claimant shall have rented property during any part of the calendar year for which he files claim for relief under sections 290.0601 to 290.0616 and 290.0618. When two individuals are able to

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meet the qualifications for a claimant and are husband and wife, they may determine between them as to which of the two the claimant shall be. If they are unable to agree the matter shall be referred to the commissioner of revenue and his decision shall be final. When a homestead is occupied by two or more individuals and more than one such individual is able to qualify as a claimant, and some or all such qualified individuals are not related as determined under subdivision 3, each such individual may be a claimant, provided he meets the requirements therefor. Each such claimant shall use only the rent constituting property taxes or property taxes accrued paid by him.

Sec. 11. Minnesota Statutes 1974, Section 290.0601, Subdivision 9, is amended to read:

Subd. 9. **PROPERTY TAXES ACCRUED.** Property taxes accrued means the net property tax after deducting the credit allowed by Minnesota Statutes 1967, Section 273.13, Subdivisions 6 and 7, (exclusive of special assessments, delinquent interest and charges for service) levied on a claimant's homestead in 1967 or any calendar year thereafter pursuant to Minnesota Statutes 1965, Chapters 272 and 273. When a homestead is owned by two or more persons or entities as joint tenants or tenants in common and one or more persons or entities is not a member of claimant's household, "property taxes accrued" is that part of property taxes levied on such homestead as reflects the ownership percentage of the claimant and his household. For purposes of this paragraph property taxes are "levied" when the tax roll is delivered to the local treasurer for collection. The local treasurer will include with the tax bill a statement that if the owner of the property is 65 years of age or over, or was eligible to receive "supplementary security income for the aged, blind, and disabled" under the social security amendments of 1972 (P.L. 92-603), was eligible to receive social security aid to the disabled under USCA Title 42, Section 416, Paragraph (i)(1) or Section 423(d) he may be eligible for the credit allowed by sections ~~290.0601 to 290.0616 and 290.0618~~ advising the property owner of the particular categories in section 290.0601, subdivision 6, under which he may be eligible for a credit. When a claimant and his household own their homestead part of the preceding calendar year and rent the same or a different homestead for part of the same year "property taxes accrued" means only taxes levied on the homestead when both owned and occupied as such by claimant and his household at the time of the levy, multiplied by the percentage of 12 months that such property was owned and occupied by such household as its homestead during the preceding year. When a household owns and occupies two or more different homesteads in the same calendar year, property taxes accrued shall relate only to that property occupied by the household as a homestead on the levy date. Whenever a homestead is an integral part of a farm, the claimant may use the total property taxes accrued for the larger unit, but not exceeding ~~80-120~~ acres of land, as described in section 273.13, subdivision 6, except as the limitations of section 290.0608 apply. For the purpose of sections 290.0601 to 290.0616 and 290.0618, the "unit" refers to that parcel of property covered by a sin-

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gle tax statement of which the homestead is a part.

Sec. 12. Minnesota Statutes 1974, Section 290.061, is amended to read:

290.061 **PROOF OF CLAIM.** Every claimant under sections 290.0601 to 290.0616 and 290.0618, shall supply to the department of revenue, in support of his claim, reasonable proof of age, proof of eligibility for ~~“supplementary security income for the aged, blind, and disabled”~~ or social security aid for the aged, blind, or disabled, rent paid, name and address of owner or managing agent of property rented, property taxes accrued, changes of homestead, household membership, household income, size and nature of property claimed as the homestead and a statement that the property taxes accrued, used for purposes of sections 290.0601 to 290.0616 and 290.0618, have been or will be paid by him and that there are no delinquent property taxes on the homestead.

Sec. 13. Minnesota Statutes 1974, Section 290.086, Subdivision 7, is amended to read:

Subd. 7. ~~No~~A claim for credit as provided in subdivision 5 shall be ~~allowed unless the claim for the tax credit is in possession of~~filed with the department of revenue on or before the time designated for the filing of income tax returns in section 290.42. ~~Failure to file and make such claim on the income tax return duly required in the year following the year for which the tax credit is claimable shall bar such claim. A claim filed after the original or extended due date shall be allowed, but the amount of credit shall be reduced by five percent of the amount otherwise allowable, plus an additional five percent for each month of delinquency, not exceeding a total reduction of 25 percent. In any event no claim shall be allowed if the claim is not filed on or before two years after the original or extended due date for the filing of the claim.~~

No claim for credit shall be allowed unless accompanied by: (a) A receipt, or receipts, for each student signed by an official of the student's nonpublic school of enrollment showing the following information: (1) The name and location of the nonpublic school in which the student is enrolled; (2) the date of payment and the amount paid for education costs and textbooks; (3) the grade in which the student is enrolled during the period for which payment was made; (4) the name of the student and name of the remitter; (b) a certification from each nonpublic school of enrollment during the calendar year current to December 31 of each year showing: (1) that such nonpublic school satisfies the requirements of section 120.10, subdivision 2; (2) the restricted maintenance cost of education per pupil unit in average daily attendance in the school of enrollment based upon the most recently completed school year; (3) the total moneys paid by the taxpayer to the nonpublic school for education costs; (4) the maximum allowable tax credit per student for each month of enrollment in said nonpublic

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school for that calendar year; (5) the months, or portions thereof, during which the student was enrolled in said school and the student's name.

The total claim for tax credit shall be based upon ten school months, or portions thereof, for each calendar year; the claim shall be limited to ten percent of the total maximum allowable claim per month for each school calendar month, or portion thereof, during which the student is enrolled in a nonpublic school but not to exceed ten months for any given school year excluding summer or extra school sessions outside the regular school year session. The nonpublic school and grade of enrollment on the first school day attended by the student in any given school month during the regular school session shall be the designated school and grade of enrollment for that entire school month.

Sec. 14. Minnesota Statutes 1974, Section 290.09, Subdivision 4, is amended to read:

Subd. 4. **TAXES.** Taxes paid or accrued within the taxable year, except (a) income or franchise taxes imposed by this chapter; (b) taxes assessed against local benefits of a kind deemed in law to increase the value of the property assessed; (c) inheritance, gift and estate taxes except as provided in section 290.077, subdivision 4; (d) cigarette and tobacco products excise tax imposed on the consumer; (e) that part of Minnesota property taxes for which a credit or refund is claimed and allowed under section 290.0603 or 290.066 ; ~~and~~ (f) federal income taxes, by corporations, national and state banks except as provided in section 290.18 ; and (g) tax paid by any corporation or national or state bank to any foreign country or possession of the United States to the extent that a credit against federal income taxes is allowed under the provisions of the Internal Revenue Code of 1954, as amended through December 31, 1974. If the taxpayer's foreign tax credit consists of both foreign taxes deemed paid and foreign taxes actually paid or withheld, it will be conclusively presumed that foreign taxes deemed paid were first used by the taxpayer in its foreign tax credit. Minnesota gross income shall include the amount of foreign tax paid which had been allowed as a deduction in a previous year, provided such foreign tax is later allowed as a credit against federal income tax . Income taxes permitted to be deducted hereunder shall, regardless of the methods of accounting employed, be deductible only in the taxable year in which paid. Taxes imposed upon a shareholder's interest in a corporation which are paid by the corporation without reimbursement from the shareholder shall be deductible only by such corporation.

Sec. 15. Minnesota Statutes 1974, Section 290.09, Subdivision 15, is amended to read:

Subd. 15. **STANDARD DEDUCTION.** In lieu of all deductions provided for in this chapter other than those enumerated in section 290.18, subdivision 2, and in lieu of the credits enumerated in section

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290.21, subdivision 3, an individual may claim or be allowed a standard deduction as follows:

(a) If his adjusted gross income is \$10,000 or more, the standard deduction shall be \$1,000.

(b) If his adjusted gross income is less than \$10,000, the standard deduction shall be an amount equal to ten percent thereof ; ~~in such case the standard deduction will be available only through the use of the schedule of taxes provided in section 290.06, subdivision 2 .~~

In the case of a husband and wife living together, the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction. For the purposes of this paragraph the determination of whether an individual is living with his spouse shall be made as of the last day of the taxable year unless the spouse dies during the taxable year in which case such determination shall be made as of the date of such spouse's death.

Sec. 16. Minnesota Statutes 1974, Section 290.16, is amended by adding a subdivision to read:

Subd. 1a. INAPPLICABLE TO INDIVIDUALS, TRUSTS, ESTATES. With respect to individuals, trusts and estates, the provisions of this section shall not be applicable and gains and losses shall be reported as provided in section 290.01, subdivision 20.

Sec. 17. Minnesota Statutes 1974, Section 290.21, Subdivision 4, is amended to read:

Subd. 4. DIVIDEND CREDIT. (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 credit shall be allowed only in the proportion that the recipient corporation's taxable net income that is assignable or allocable to this state bears to the entire net income of the corporation. 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 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 or allocable to this state bears to the entire net in-

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come 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 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 or allocable 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.

Sec. 18. Minnesota Statutes 1974, Section 290.50, Subdivision 1, is amended to read:

290.50 OVERPAYMENTS, CLAIMS FOR REFUND OR CREDITS.

Subdivision 1. **PROCEDURE, TIME LIMIT.** (a) A taxpayer who has paid ; ~~voluntarily or otherwise;~~ or from whom there has been collected ~~(other than by the methods provided for in section 290.48, subdivisions 1 and 5)~~ an amount of tax for any year in excess of the amount legally due for that year, may file with the commissioner a claim for a refund of such excess. Except as otherwise provided in ~~subdivision 4~~ no such claim shall be entertained unless filed within two years after such tax was paid or collected; or within three and one-half years from the filing of the return; whichever period is the longer; or if no return was filed by the taxpayer; within two years from the time the tax was paid. If the claim relates to an overpayment on account of failure to deduct a loss due to a bad debt or to a security becoming worthless; the period shall be seven years from the date the return was filed; and in such case the refund shall be limited to the amount of such overpayment—this section, no claim or refund shall be allowed or made after three and one half years from the date prescribed for filing the return (plus any extension of time granted for filing the return, but only if filed within the extended time) or after two years from the date of overpayment, whichever period is longer, unless before the expiration of

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the period a claim is filed by the taxpayer. For this purpose an income tax return or amended return claiming an overpayment shall constitute a claim for refund .

(b) If the claim was filed by the taxpayer during the three and one-half year period following the filing of the return, timely filed in accordance with the provisions of section 290.42, the amount of the credit or refund shall not exceed the portion of the tax paid within the period, immediately preceding the filing of the claim, equal to three and one-half years plus the period of any extension of time for filing a return.

(c) If the claim was not filed within three and one-half years after the filing of the return, the amount of the credit or refund shall not exceed the portion of the tax paid during the two years immediately preceding the filing of the claim.

(d) If no claim was filed, the credit or refund shall not exceed the amount which would be allowable under (a) or (b); as the case may be, if the claim was filed on the date the credit or refund is allowed.

(e) Notwithstanding any provisions of this subdivision to the contrary as the credit or overpayment relates to taxes collected by methods other than those provided in section 290.48, subdivisions 1 and 5 for any taxable year ending on or before December 31, 1968, the claim may be entertained if filed on or before April 15, 1970. If a claim relates to an overpayment on account of a failure to deduct a loss due to a bad debt or to a security becoming worthless, the claim shall be allowed if filed within seven years from the date prescribed in section 290.42 for the filing of the return, and the refund or credit shall be limited to the amount of overpayment attributable to the loss .

(f) For purposes of this ~~subdivision~~ section , the prepayment of tax made through the withholding of tax at the source, or payment of estimated tax, prior to the due date of the tax are considered as having been paid on the last day prescribed by law for the payment of the tax by the taxpayer. A return filed before the due date shall be considered as filed on the due date.

(g) Upon the filing of a claim the commissioner shall examine the same and shall make and file written findings thereon denying or allowing the claim in whole or in part and shall mail a notice thereof to the taxpayer at the address stated upon the return. If such claim is allowed in whole or in part, the commissioner shall issue his certificate for the refundment of the excess paid by the taxpayer, with interest at the rate of six percent per annum computed from the date of the payment or collection of the tax until the date the refund is paid to the taxpayer, however, where the only basis for refund is the carry-back of a net operating loss or the carry-back of a pollution control credit or both interest shall be computed from the end of the taxable year in which the net operating loss occurs or pollution control credit arises to

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the date the refund is paid; and the commissioner of finance shall cause such refund to be paid out of the proceeds of the taxes imposed by this act, as other state moneys are expended. So much of the proceeds of such taxes as may be necessary are hereby appropriated for that purpose. Except as provided in sections 290.92, subdivision 13, and 290.936, interest on the overpayment refunded or credited to the taxpayer shall be allowed at the rate of six percent per annum computed from the date of payment of the tax until the date the refund is paid or credit is made to the taxpayer. However, to the extent that the basis for the refund is a net operating loss carryback, a capital loss carryback or the carryback of a pollution control credit, interest shall be computed only from the end of the taxable year in which the loss occurs or in which the pollution control credit arises .

(f) If a taxpayer reports a change in his federal gross income or deductions, or a renegotiation, or files a copy of his amended federal return, within 90 days as provided by section 290.56, subdivision 2, a refund may be made of any overpayment within one year after such report or amended return is filed.

(g) There is hereby appropriated from the general revenue fund to the commissioner of revenue the amounts necessary to make payments of refunds allowed pursuant to section 290.50.

Sec. 19. Minnesota Statutes 1974, Section 290.50, Subdivision 2, is amended to read:

Subd. 2. **DENIAL OF CLAIM, COURT PROCEEDINGS.** If the claim is denied in whole or in part, the commissioner shall mail an order of denial to the taxpayer in the manner prescribed in section 290.46. An appeal from this order may be taken to the Minnesota tax court in the manner prescribed in section 271.06, or the taxpayer may commence an action against the commissioner to recover any overpayments of taxes claimed to be refundable but for which the commissioner has issued no certificate of refundment—the denied overpayment . Such action may be brought in the district court of the district in which lies the county of his residence or principal place of business or if an estate or trust, of the principal place of its administration, or in the district court for Ramsey county. Such action may be commenced after the expiration of six months after the claim is filed if the commissioner has not then taken final action thereon, and shall be commenced within 18 months after the notice of the order denying the claim—The action in the district court shall be commenced within 18 months following the mailing of the order of denial to the taxpayer. If a claim for refund is filed by a taxpayer and no order of denial is issued within six months of the filing, the taxpayer may commence an action in the district court as in the case of a denial, but the action shall be commenced within two years of the date that the claim for refund was filed .

Sec. 20. Minnesota Statutes 1974, Section 290.50, Subdivision 3, is

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amended to read:

Subd. 3. **EXCEPTIONS.** ~~Either party to said action may appeal to the supreme court as in other cases-~~This section shall not be construed so as to disallow:

(a) a net operating loss carryback to any taxable year authorized by section 290.095 or section 172 of the Internal Revenue Code of 1954, as amended through December 31, 1974, but the refund or credit shall be limited to the amount of overpayment arising from the carryback;

(b) a capital loss carryback by a corporation under section 290.16, provided that the claim for refund or credit is made prior to the expiration of the 15th day of the 45th month following the end of the taxable year of the net capital loss which results in the carryback, and the refund or credit is limited to the amount of overpayment arising from the carryback;

(c) the carryback of a pollution control credit under section 290.06, subdivision 9, provided that the claim for refund or credit is made prior to the expiration of the 15th day of the 46th month (or the 45th month, in the case of a corporation) following the end of the taxable year in which the pollution control credit arises, and the refund or credit is limited to the amount of overpayment arising from the carryback .

Sec. 21. Minnesota Statutes 1974, Section 290.92, Subdivision 6, is amended to read:

Subd. 6. **EMPLOYER TO FURNISH INFORMATION.** (1) Every employer required to deduct and withhold tax under subdivision 2a or subdivision 3 shall file with the commissioner of revenue, and pay over the tax required to be withheld under subdivision 2a and subdivision 3 for each quarterly period, on or before the last day of the month following the close of each quarterly period or another reporting period as the commissioner may prescribe and make and file with the commissioner a return and pay over to him the tax required to be withheld under subdivision 2a or subdivision 3, except that, if during any calendar month, other than the last month of the calendar quarter, the aggregate amount of the tax withheld under subdivision 2a or subdivision 3 exceeds \$100, such employer shall deposit such aggregate amount within 15 days after the close of such calendar month with the commissioner of revenue. However, any such return may be filed on or before the tenth day of the second calendar month following such period if such return shows timely deposits in full payment of such taxes due for such period. For the purpose of the preceding sentence, a deposit which is not required to be made within such return period, may be made on or before the last day of the first calendar month following the close of such period. Every employer, in preparing said quarterly return, shall take credit for monthly deposits previously made in accor-

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dance with this subdivision.

In prescribing the reporting period, the commissioner may classify employers according to the amount of their tax liability and may adopt an appropriate reporting period for each class which he deems to be consistent with efficient tax collection. In no event shall the duration of the reporting period be more than one year or less than one month, provided that for employers with annual payrolls of less than \$100,000 the reporting period shall be no more frequent than quarterly.

Such return shall be in such form and contain such information as the commissioner may prescribe. The commissioner may grant a reasonable extension of time for making such return or deposit and paying such tax, but no such extension shall be granted for more than six months.

(2) If less than the correct amount of such tax is paid to the commissioner, proper adjustments, with respect to both the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as the commissioner may prescribe. If such underpayment cannot be so adjusted the amount of the underpayment shall be assessed and collected in such manner and at such times as the commissioner may prescribe.

(3) If any employer fails to make and file any return required by paragraph (1) at the time prescribed therefor, or makes and files a false or fraudulent return, the commissioner shall make for him a return from his own knowledge and from such information as he can obtain through testimony, or otherwise, and assess a tax on the basis thereof. The amount of tax shown thereon shall be paid to the commissioner at such times as the commissioner may prescribe. Any such return or assessment so made by the commissioner shall be prima facie correct and valid, and the employer shall have the burden of establishing its incorrectness or invalidity in any action or proceeding in respect thereto.

(4) If the commissioner, in any case, has reason to believe that the collection of the tax provided for in paragraph (1) of this subdivision, and any added penalties and interest, if any, will be jeopardized by delay, he may immediately assess such tax, whether or not the time otherwise prescribed by law for making and filing the return and paying such tax has expired.

(5) Any assessment under this subdivision shall be made by recording the liability of the employer in the office of the commissioner in accordance with regulations prescribed by the commissioner. Upon request of the employer, the commissioner shall furnish the employer a copy of the record of assessment.

(6) Any assessment of tax under this subdivision shall be made

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within three and one-half years after the due date of the return required by paragraph (1), or the date the return was filed, whichever is later; except that in the case of a false or fraudulent return or failure to file a return, the tax may be assessed at any time.

(7) (a) Except as provided in (b) of this paragraph, every employer who fails to pay to or deposit with the commissioner any sum or sums required by this section to be deducted, withheld and paid, shall be personally and individually liable to the state of Minnesota for such sum or sums (and any added penalties and interest); and any sum or sums deducted and withheld in accordance with the provisions of subdivision 2a or subdivision 3 shall be held to be a special fund in trust for the state of Minnesota.

(b) If the employer, in violation of the provision of this section, fails to deduct and withhold the tax under this section, and thereafter the taxes against which such tax may be credited are paid, the tax so required to be deducted and withheld shall not be collected from the employer; but this shall in no case relieve the employer from liability for any penalties and interest otherwise applicable in respect of such failure to deduct and withhold.

(8) Upon the failure of any employer to pay to or deposit with the commissioner within the time provided by paragraphs (1), (2) or (3) of this subdivision any tax required to be withheld in accordance with the provisions of subdivision 2a or subdivision 3, or if the commissioner has assessed a tax pursuant to paragraph (4), such tax shall become immediately due and payable, and the commissioner may deliver to the attorney general a certified statement of the tax, penalties and interest due from such employer. The statement shall also give the address of the employer owing such tax, the period for which the tax is due, the date of the delinquency, and such other information as may be required by the attorney general. It shall be the duty of the attorney general to institute legal action in the name of the state to recover the amount of such tax, penalties, interest and costs. The commissioner's certified statement to the attorney general shall for all purposes and in all courts be prima facie evidence of the facts therein stated and that the amount shown therein is due from the employer named in the statement. In event action is instituted as herein provided, the court shall, upon application of the attorney general, appoint a receiver of the property and business of the delinquent employer for the purpose of impounding the same as security for any judgment which has been or may be recovered. Any such action shall be brought within four years and three months after the due date of the return or deposit required by paragraph (1), or the date the return was filed, or deposit made whichever is later; except that in the case of failure to make and file such return or if such return is false or fraudulent, or such deposit is not made such action may be brought at any time.

(9) The tax required to be withheld under subdivision 2a or subdivision 3 or paid to, or deposited with the commissioner under subdivi-

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sion 6, together with penalties, interest and costs, shall become a lien upon all of the real property of the employer within this state, except his homestead, from and after the filing by the commissioner of a notice of such lien in the offices of the register of deeds of the county in which such real property is situated.

(10) Either party to an action for the recovery of any tax, interest or penalties under this subdivision may remove the judgment to the supreme court by appeal, as provided for appeals in civil cases.

(11) No suit shall lie to enjoin the assessment or collection of any tax imposed by this section, or the interest and penalties added thereto.

(12) When any tax is due and payable as provided in paragraph (8) the commissioner may issue his warrant to the sheriff of any county of the state commanding him to levy upon and sell the real and personal property of the employer and to levy upon the rights to property of the employer within the county and to return such warrant to the commissioner and pay to him the money collected by virtue thereof by a time to be therein specified, not less than 60 days from the date of the warrant. The sheriff shall proceed thereunder to levy upon and seize any property of the employer and to levy upon the rights to property of the employer within his county, except the homestead and household goods of the employer and property of the employer not liable to attachment, garnishment, or sale on any final process issued from any court under the provisions of Minnesota Statutes 1961, Section 550.37, and acts amendatory thereof, and shall sell so much thereof as is required to satisfy such taxes, interest, and penalties, together with his costs; but such sales shall, as to their manner, be governed by the laws applicable to sales of like property on execution issued against property upon a judgment of a court of record. The proceeds of such sales, less the sheriff's costs, shall be turned over to the commissioner, who shall retain such part thereof as is required to satisfy the tax, interest, penalties and costs, and pay over any balance to the taxpayer. Any action taken by the commissioner pursuant to this subdivision shall not constitute an election by the state to pursue a remedy to the exclusion of any other remedy providing for the collection of taxes required to be withheld by employers.

Sec. 22. Minnesota Statutes 1974, Section 290.92, Subdivision 19, is amended to read:

Subd. 19. **EMPLOYEES INCURRING NO INCOME TAX LIABILITY.** Notwithstanding any other provision of this section, an employer shall not be required to deduct and withhold any tax under this chapter upon a payment of wages to an employee if there is in effect with respect to such payment a withholding exemption certificate, in such form and containing such other information as the commissioner may prescribe, furnished to the employer by the employee certifying that the employee

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(a) incurred no liability for income tax imposed under this chapter for his preceding taxable year, and

(b) anticipates that he will incur no liability for income tax imposed under this chapter for his current taxable year. When an employee anticipates no liability for the current taxable year because of the credit provided by section 290.06, subdivision 3d, no withholding shall be required, clause (a) notwithstanding. The commissioner shall by regulations provide for the coordination of the provisions of this subdivision with the provisions of section 290.92, subdivision 7.

Sec. 23. Minnesota Statutes 1974, Section 290.931, Subdivision 1, is amended to read:

290.931 DECLARATIONS OF ESTIMATED INCOME TAX BY CORPORATIONS. Subdivision 1. **REQUIREMENTS OF DECLARATION.** Every corporation subject to taxation under ~~section 290.06 or 290.361~~ chapter 290 (excluding sections 290.031 and 290.92) shall make a declaration of estimated tax for the taxable year if its income tax imposed by section 290.06 or 290.361, reduced by the credits against tax provided by section 290.21, tax liability so computed can reasonably be expected to exceed \$1,000.

Sec. 24. Minnesota Statutes 1974, Section 290.933, Subdivision 1, is amended to read:

290.933 INSTALLMENT PAYMENTS OF ESTIMATED INCOME TAX BY CORPORATIONS: Subdivision 1. **AMOUNT AND TIME FOR PAYMENT OF EACH INSTALLMENT.** The amount of estimated tax (as defined in section 290.031, subdivision 2) with respect to which a declaration is required under section 290.931 shall be paid as follows:

(1) **PAYMENT IN FOUR INSTALLMENTS.** If the declaration is filed on or before the 15th day of the 3rd month of the taxable year, the estimated tax shall be paid in four equal installments on the 15th day of the 3rd, 6th, 9th and 12th month of the taxable year.

(2) **PAYMENT IN THREE INSTALLMENTS.** If the declaration is filed after the 15th day of the 3rd month and not after the 15th day of the 6th month of the taxable year, and is not required by section 290.932, subdivision 1, to be filed on or before the 15th day of such 3rd month, the estimated tax shall be paid in three equal installments on the 15th day of the 6th, 9th and 12th month of the taxable year.

(3) **PAYMENT IN TWO INSTALLMENTS.** If the declaration of estimated tax is filed after the 15th day of the 6th month and not after the 15th day of the 9th month of the taxable year, and is not required by section 290.932, subdivision 1, to be filed on or before the 15th day of such 6th month, the estimated tax shall be paid in two equal installments on the 15th day of the 9th and 12th month of the taxable year.

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(4) **PAYMENT IN ONE INSTALLMENT.** If the declaration of estimated tax is filed after the 15th day of the 9th month of the taxable year, and is not required by section 290.932, subdivision 1, to be filed on or before the 15th day of such 9th month, the estimated tax shall be paid in one installment.

(5) **LATE FILING.** If the declaration is filed after the time prescribed in section 290.932, subdivision 1 (determined without regard to any extension of time for filing the declaration under section 290.932, subdivision 4), paragraphs (2), (3), and (4) of this subdivision shall not apply, and there shall be paid at the time of such filing all installments of estimated tax which would have been payable on or before such time if the declaration had been filed within the time prescribed in section 290.932, subdivision 1, and the remaining installments shall be paid at the times at which, and in the amounts in which, they would have been payable if the declaration had been so filed.

Sec. 25. Minnesota Statutes 1974, Section 290.972, Subdivision 2, is amended to read:

Subd. 2. **EFFECT.** If a small business corporation makes an election under subdivision 1, then

(1) with respect to the taxable years of the corporation for which such election is in effect, such corporation shall not be subject to the taxes imposed by chapter 290, section 290.031 excepted, and

(2) with respect to the taxable years of a shareholder of such corporation in which or with which the taxable years of the corporation for which such election is in effect and, the provisions of section 290.973 shall apply to such shareholder.

Sec. 26. Minnesota Statutes 1974, Section 290.985, is amended to read:

290.985 FILING TIME LIMIT FOR RENTERS. Claims for rent accrued in 1969 or later years shall be filed on or before the times specified in section 290.42, except that any person who is eligible to be a claimant pursuant to section 290.0601, subdivision 6, in order to effectively exercise the option provided in section 290.991, shall be allowed to file timely in accordance with the provisions of section 290.0604 . A claim filed after the original or extended due date shall be allowed, but the amount of credit shall be reduced by five percent of the amount otherwise allowable, plus an additional five percent for each month of delinquency, not exceeding a total reduction of 25 percent. In any event no claim shall be allowed if the claim is not filed on or before two years after the original or extended due date for the filing of the claim.

Sec. 27. Minnesota Statutes 1974, Section 290.26, is amended to read:

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290.26 EMPLOYEES' TRUST, ANNUITY PLANS. *Subdivision 1. INCOME OF CERTAIN TRUSTS NOT TAXED.* A trust created or organized in the United States and forming part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of his employees or their beneficiaries shall not be taxable under section 290.22 and no other provisions of this act shall apply with respect to such trust or its beneficiary if such trust or beneficiary comes within the provisions of sections 401 and 402 of the Internal Revenue Code of 1954, as amended through December 31, ~~1972~~-1974 as adapted to the provisions of this chapter under regulations issued by the commissioner of revenue.

Subd. 2. EMPLOYER CONTRIBUTIONS. Contributions of an employer to an employee's trust or annuity plan and compensation under a deferred-payment plan shall be allowed as a deduction in accordance with the provisions of Section 404 of the Internal Revenue Code of 1954, as amended through December 31, ~~1972~~-1974 as adapted to the provisions of this act under regulations issued by the commissioner of revenue.

Subd. 2a. EMPLOYER STOCK OWNERSHIP TRUST CONTRIBUTIONS. All contributions of an employer to an employee stock ownership trust as defined by section 290.01, subdivision 24, shall be allowed as a deduction in accordance with the provisions of section 404 of the Internal Revenue Code of 1954, as amended through December 31, ~~1972~~-1974, except that the limitation contained therein on the amount of contributions allowed as a deduction shall not be applicable and in lieu thereof a limitation of 30 percent shall apply. An employer who in any year claims a deduction under this subdivision shall not in that year claim a deduction under section 290.21.

Subd. 3. DISTRIBUTIONS. Distributions received by a beneficiary from a trust or annuity plan of the kind described in subdivision 1 or 2 of this section shall be treated in accordance with the provisions of section 290.08, subdivision 4, and sections 402 and 403 of the Internal Revenue Code of 1954, as amended through December 31, ~~1972~~ 1974 as adapted to the provisions of this chapter by regulations issued by the commissioner of revenue.

Subd. 4. EFFECTIVE DATE. The provisions of subdivisions 1, 2 and 3 of this section shall be applicable to the same taxable years as provided in section 290.08, subdivision 4, as adapted to the provisions of this chapter by regulations issued by the commissioner of revenue.

Subd. 5. A custodial account within the meaning of section 401(f) or section 403(b)(7) of the Internal Revenue Code of 1954, as amended through December 31, 1974, shall be treated as a trust under this section.

Subd. 6. Any individual retirement account that is exempt from taxation under the provisions of section 408 of the Internal Revenue

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Code of 1954, as amended through December 31, 1974, shall also be exempt from taxation under the provisions of this chapter.

Sec. 28. Minnesota Statutes 1974, Chapter 290, is amended by adding a section to read:

[290.032] LUMP SUM DISTRIBUTION TAX. Subdivision 1. There is hereby imposed as an addition to the annual income tax for a taxable year of a taxpayer in the classes described in section 290.03 a tax with respect to any distribution received by such taxpayer that is treated as a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1974, and that is subject to tax for such taxable year under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1974.

Subd. 2. The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1974, except that the initial separate tax shall be an amount equal to ten times the tax which would be imposed by section 290.03 if the recipient was an individual referred to in such section and the taxable net income, excluding the credits allowed in section 290.06, subdivision 3c, and section 290.21, was an amount equal to one-tenth of the excess of

(i) the total taxable amount of the lump sum distribution for the year, over

(ii) the minimum distribution allowance, and except that references in section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1974, to paragraph (1)(A) thereof shall instead be references to subdivision 1 of this section.

Subd. 3. The tax imposed by this section on a non-resident individual shall be based only on that part of the lump sum distribution attributable to personal or professional services within this state.

Sec. 29. In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the words "Internal Revenue Code of 1954, as amended through December 31, 1974" for the words "Internal Revenue Code of 1954, as amended through December 31, 1972" wherever such words occur in chapter 290, except section 290.01, subdivision 20.

Sec. 30. In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the words "personal representative" for the words "executor" or "administrator" wherever such words appear in chapter 290, except section 290.01.

Sec. 31. Minnesota Statutes 1974, Sections 290.072; 290.08, Subdivisions 9, 10, 11, 15, 16, 17, 18 and 22; 290.0801; and 290.931, Subdivi-

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sion 2, are repealed.

Sec. 32. Sections 9, 13, 17 and 26 are effective the day following final enactment. The remainder of the act is effective for all taxable years beginning after December 31, 1974.

Approved June 4, 1975.

CHAPTER 350—H.F.No.232

An act relating to commerce; removing certain responsibilities for bedding from the department of labor and industry; providing penalties for mislabeling of bedding; amending Minnesota Statutes 1974, Sections 325.30; 325.32; repealing Minnesota Statutes 1974, Sections 325.28; and 325.29.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1974, Section 325.30, is amended to read:

325.30 COMMERCE; BEDDING; REGULATION; SALES FORBIDDEN; EXCEPTIONS; PENALTIES. No person shall sell, lease, offer to sell or lease, or deliver or consign for sale or lease, or have in his possession with intent to sell, lease, deliver, or consign for sale or lease, any bedding made, remade, or renovated in violation of sections 325.25 to 325.33 or any second-hand bedding unless since last used it has been thoroughly sterilized and disinfected by an approved method of sterilization as provided under section 325.27. A violation of sections 325.25 to 325.33 is a misdemeanor. The penalty provisions of section 325.907 shall apply when any person is found to have violated sections 325.25 to 325.33 .

Sec. 2. Minnesota Statutes 1974, Section 325.32, is amended to read:

325.32 BEDDING TO BE LABELED. No person shall make or re-make, or sell, offer for sale, consign for sale, or have in his possession with intent to sell, offer for sale, or consign for sale any article of bedding unless the same is labeled as follows:

Upon ~~On~~ each of such ~~articles~~ article of bedding there shall be ~~securely sewed upon the outside thereof~~ a label made of ~~muslin, linen, or other~~ durable material not less than three by four and one-half inches in size shall be displayed, upon which shall be in plain print, in the English language, a description of the material used as filling of such article of bedding; and, if such material, or any portion thereof, shall not have been previously used, the words "manufactured of new material" shall appear upon the label, together with the name and address

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