

than:

- (a) For lactating women, 12 months after the birth of a surviving child; and
- (b) For children, at ~~four~~ five years of age.

Sec. 6. Minnesota Statutes 1976, Section 145.918, Subdivision 2, is amended to read:

Subd. 2. The ~~state board~~ commissioner of health may enter into an agreement as prescribed in section 145.55, with any county or city or group of counties or cities organized under the provisions of section 145.913 to perform all or part of the licensing, inspection, and enforcement duties authorized under the provisions of sections ~~144.075 and 144.12, 144.71 to 144.76, 327.14 to 327.29~~ and chapter 157.

Sec. 7. ~~[145.075]~~ **INJUNCTIVE RELIEF BROUGHT BY COMMISSIONS OR LOCAL BOARD.** In addition to any other remedy provided by law, the commissioner of health or local board of health may in its own name bring an action in the district court in the county in which the activity or practice sought to be enjoined occurs, to enjoin any violation of a statute or rule which the commissioner of health or local board of health is empowered to enforce or promulgate. Any such activity or practice may be enjoined as a public nuisance.

Sec. 8. Notwithstanding any provision of sections 144.801 to 144.808, the cities of Duluth and Hermantown shall jointly determine whether the public convenience and necessity require ambulance service proposed or operating within the limits of each city.

Sec. 9. **REPEALER.** Minnesota Statutes 1976, Sections 12.56; 12.57; and 144.146, Subdivision 2, are repealed.

Sec. 10. **EFFECTIVE DATE.** This act is effective July 1, 1978. Section 1 shall be effective until July 1, 1980.

Sec. 11. Section 8 of this act shall be effective upon the approval of the governing bodies of the cities of Duluth and Hermantown and upon compliance with Minnesota Statutes, Section 645.021, and shall expire July 1, 1980.

Approved April 5, 1978.

CHAPTER 763-H.F.No.1881

[Coded in Part]

An act relating to agriculture; family farm security program; providing for exclusion from gross income of interest on certain loans; amending Minnesota Statutes 1976, Sections 41.58, by adding a subdivision; 290.08, by adding a subdivision; and Minnesota Statutes, 1977 Supplement, Section 290.01, Subdivision 20.

Changes or additions indicated by underline deletions by ~~strikeout~~.

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

Section 1. Minnesota Statutes 1976, Section 41.58, is amended by adding a subdivision to read:

Subd. 3. TAXABILITY. The interest earned by the seller of the property on a seller-sponsored loan that is guaranteed by the commissioner shall be excludable from gross income for purposes of chapter 290 for the year in which it is received.

Sec. 2. Minnesota Statutes, 1977 Supplement, 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; except that gross income shall not include "exempt function income" of a "homeowners association" as those terms are defined in Section 528 of the Internal Revenue Code of 1954, as amended.

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, 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.

(v) The Internal Revenue Code of 1954, as amended through December 31, 1976,

Changes or additions indicated by underline deletions by ~~strikeout~~

including the amendments made to section 280A (relating to licensed day care centers) in H.R. 3477 as it passed the Congress on May 16, 1977, shall be in effect for the taxable years beginning after December 31, 1976. The provisions of the Tax Reform Act of 1976, P.L. 94-455, which affect adjusted gross income shall become effective for purposes of chapter 290 at the same time they become effective for federal income tax purposes. Section 207 (relating to extension of period for nonrecognition of gain on sale or exchange of residence) and section 402 (relating to time for making contributions to pension plans of self employed people) of P.L. 94-12 shall be effective for 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 this chapter, 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) 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;

Changes or additions indicated by underline deletions by ~~strikeout~~

(7) 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;

(8) 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, 1976, to the extent of the credit under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1976, that was previously allowed as a deduction either under section 290.01, subdivision 20 (b) (9) or under section 290.09, subdivision 24; and

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

(10) Expenses and depreciation attributable to substandard buildings disallowed by section 290.101; and

(11) The amount by which the gain determined pursuant to section 41.59, subdivision 2 exceeds the amount of such gain included in federal adjusted gross income;

(13) Interest income from qualified scholarship funding bonds as defined in section 103(e) of the Internal Revenue Code of 1954, as amended through December 31, 1976, if the nonprofit corporation is domiciled outside of Minnesota;

(14) Exempt-interest dividends, as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1954, as amended through December 31, 1976, not included in federal adjusted gross income pursuant to section 852(b)(5)(B) of the Internal Revenue Code of 1954, as amended through December 31, 1976, except for that portion of such exempt-interest dividends derived from interest income on obligations of the state of Minnesota, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities;

(15) The amount of any excluded gain realized by a trust on the sale or exchange of property as defined in section 641(c)(1).

(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. This modification shall not be applicable if the difference in basis is due to disallowance of depreciation pursuant to section

Changes or additions indicated by underline deletions by ~~strikeout~~

290.101.

(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) 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;

(5) If included in federal adjusted gross income, the amount of any credit received, whether received as a refund or credit to another taxable year's income tax liability, pursuant to chapter 290A, and 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;

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

(7) 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, 1976, 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;

~~(4)~~ (8) The amount of any distribution from a qualified pension or profit sharing plan included in federal adjusted gross income in the year of receipt to the extent of any contribution not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota law for a taxable year beginning in 1974 or later ; ; and

(9) Interest, including payment adjustment to the extent that it is applied to interest, earned by the seller of the property on a family farm security loan executed after December 31, 1977 and before January 1, 1982 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60.

(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.

Changes or additions indicated by underline deletions by ~~strikeout~~

(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 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 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. 3. Minnesota Statutes 1976, Section 290.08, is amended by adding a subdivision to read:

Subd. 24. FAMILY FARM SECURITY LOAN INTEREST. Gross income shall

Changes or additions indicated by underline deletions by ~~strikeout~~

not include interest, including payment adjustment to the extent that it is applied to interest, earned by the seller of property on a family farm security loan executed after December 31, 1977 and before January 1, 1982 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60.

Sec. 4. This act is effective for interest received during taxable years beginning after December 31, 1977 on loans executed after December 31, 1977 and before January 1, 1982.

Approved April 5, 1978.

CHAPTER 764-H.F.No.1885

[Coded in Part]

An act relating to education; providing for aids to education, tax levies and the distribution of tax revenues; granting certain powers and duties to school boards, school districts, the commissioner of education, the state board of education, the state board for vocational education, county auditors, teachers and school bus contractors; allowing certain fees; revising provisions governing school district reorganization; increasing the foundation aid and special education aid formulas; establishing formulas for certain transportation and secondary vocational education programs; increasing incentives for teacher mobility; authorizing certain expenditures; transferring certain appropriated sums; appropriating money; amending Minnesota Statutes 1976, Sections 6.62, Subdivision 1; 120.17, Subdivisions 3, 9 and by adding a subdivision; 120.64, Subdivision 4; 120.73, by adding a subdivision; 121.21, Subdivision 6; 121.216; 121.904, Subdivision 7 and by adding a subdivision; 122.22, Subdivisions 2, 9, 14 and by adding a subdivision; 122.23, Subdivisions 2, 3, 6, 13, 15, 16 and 18; 123.34, Subdivisions 4 and 8; 123.37, Subdivisions 1b, 3 and 4; 123.39, by adding subdivisions; 124.15, Subdivisions 2 and 6; 124.17, Subdivision 3 and by adding a subdivision; 124.20; 124.212, Subdivision 20 and by adding subdivisions; 124.222, by adding a subdivision; 124.563, Subdivision 2; 124.74; 124.76; 125.12, Subdivisions 6a and 6b; 125.185, Subdivision 4 and by adding a subdivision; 126.12; 127.25, Subdivisions 1, 2 and by adding a subdivision; 127.29, Subdivision 1; 127.30, Subdivision 1; 128A.02, by adding subdivisions; 128A.03, Subdivision 2; 134.03; 179.70, Subdivision 1; 275.125, Subdivisions 15, 16, 18 and by adding a subdivision; 275.48; 298.39; 298.396; 471.16, Subdivision 16 and by adding a subdivision; 475.60, Subdivision 2; Chapters 120, by adding a section; 122, by adding sections; 124, by adding a section; Minnesota Statutes, 1977 Supplement, Sections 121.16, Subdivision 1; 121.912, Subdivision 1; 122.85, Subdivisions 1 and 6; 124.17, Subdivisions 1 and 2; 124.19, Subdivision 1; 124.212, Subdivisions 5a, 7b and 8a; 124.213, Subdivisions 1 and 2; 124.214; 124.222, Subdivision 6; 124.223; 124.32, Subdivisions 1, 1a, 1b, 5 and 7; 124.38, Subdivision 7; 124.562, Subdivision 1; 124.563, Subdivision 1; 124.572, Subdivisions 2 and 3; 124.573, Subdivisions 2, 3 and by adding a subdivision; 125.60, Subdivisions 2, 3 and by adding subdivisions; 125.61, Subdivisions 1, 2, 3, 4, 6 and by adding a subdivision; 176.011, Subdivision 9; 275.07; 275.124; 275.125, Subdivisions 2a, 4, 9, 11a and 13; 298.28, Subdivision 1; 354.094, Subdivisions 1 and 4; 354.66, Subdivisions 1 and 9; 354A.091, Subdivision 4; 354A.22, Subdivisions 1 and 9; Laws 1967, Chapter 33, by adding a section; Chapter 822, Section 7, as amended; Laws 1969, Chapter 775, Section 4, Subdivision 1 and

Changes or additions indicated by underline deletions by ~~strikeout~~