indebtedness in excess of *$30,000,000,* nor shall it incur any indebtedness except as authorized herein.

Approved April 23, 1953.

CHAPTER 667—H. F. No. 604

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1949, Section 290.06, Subdivision 2; Section 290.06, Subdivision 3, as amended by Laws 1951, Chapter 676; and section 290.09, as amended by Laws 1951, Chapters 421 and 679.

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

Section 1. Minnesota Statutes 1949, Section 290.06, Subdivision 2, is amended to read:

Subd. 2. **Manner of computing.** (a) The income taxes imposed by this chapter 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 $1,000, one percent;

(2) On the second $1,000, two percent;

(3) On the third $1,000, three percent;

(4) On the fourth $1,000, four percent;

(5) On the fifth $1,000, five percent;

(6) On the sixth and seventh $1,000, six percent;

(7) On the eighth and ninth $1,000, seven percent;

(8) On all over $9,000, and not over $12,500, eight percent;

(9) On all over $12,500, and not over $20,000, nine percent;

(10) On the remainder, ten 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 shall be computed according to the following schedule:

At least	If adjusted gross income is—But less than	The tax shall be
$ 0	$ 50	$ .25
50	100	.65
100	150	1.10
150	200	1.55
200	250	2.00
250	300	2.45
300	350	2.95
350	400	3.35
400	450	3.80
450	500	4.25
500	550	4.70
550	600	5.20
600	650	5.65
650	700	6.10
700	750	6.55
750	800	7.00
800	850	7.45
850	900	7.95
900	950	8.35
950	1,000	8.75
1,000	1,050	9.25
1,050	1,100	9.65
1,100	1,150	10.30
1,150	1,200	11.15
1,200	1,250	12.05
1,250	1,300	12.95
1,300	1,350	13.85
1,350	1,400	14.75
1,400	1,450	15.65
1,450	1,500	16.55
1,500	1,550	17.45
1,550	1,600	18.35
1,600	1,650	19.25
1,650	1,700	20.15
1,700	1,750	21.05
1,750	1,800	21.95
1,800	1,850	22.85
1,850	1,900	23.75
1,900	1,950	24.65
1,950	2,000	25.55
2,000	2,050	26.45
2,050	2,100	27.35
2,100	2,150	28.25
2,150	2,200	29.15
2,200	2,250	30.15
2,250	2,300	31.45

2,300	2,350	32.75
2,350	2,400	34.15
2,400	2,450	35.50
2,450	2,500	36.80
2,500	2,550	38.15
2,550	2,600	39.55
2,600	2,650	40.85
2,650	2,700	42.25
2,700	2,750	43.55
2,750	2,800	44.95
2,800	2,850	46.25
2,850	2,900	47.65
2,900	2,950	48.90
2,950	3,000	50.35
3,000	3,050	51.70
3,050	3,100	53.00
3,100	3,150	54.35
3,150	3,200	55.70
3,200	3,250	57.05
3,250	3,300	58.40
3,300	3,350	59.85
3,350	3,400	61.50
3,400	3,450	63.30
3,450	3,500	65.10
3,500	3,550	66.90
3,550	3,600	68.70
3,600	3,650	70.50
3,650	3,700	72.30
3,700	3,750	74.10
3,750	3,800	75.90
3,800	3,850	77.70
3,850	3,900	79.50
3,900	3,950	81.30
3,950	4,000	83.10
4,000	4,050	84.90
4,050	4,100	86.70
4,100	4,150	88.50
4,150	4,200	90.30
4,200	4,250	92.10
4,250	4,300	93.90
4,300	4,350	95.70
4,350	4,400	97.50
4,400	4,450	99.35
4,450	4,500	101.40
4,500	4,550	103.65
4,550	4,600	105.80
4,600	4,650	108.15
4,650	4,700	110.40

4,700	4,750	112.65
4,750	4,800	114.85
4,800	4,850	117.10
4,850	4,900	119.35
4,900	4,950	121.60
4,950	5,000	123.85
5,000	*5,050*	*126.10*
5,050	*5,100*	*128.35*
5,100	*5,150*	*130.60*
5,150	*5,200*	*132.85*
5,200	*5,250*	*135.10*
5,250	*5,300*	*137.35*
5,300	*5,350*	*139.60*
5,350	*5,400*	*141.85*
5,400	*5,450*	*144.10*
5,450	*5,500*	*146.35*
5,500	*5,550*	*148.60*
5,550	*5,600*	*151.05*
5,600	*5,650*	*153.75*
5,650	*5,700*	*156.45*
5,700	*5,750*	*159.15*
5,750	*5,800*	*161.85*
5,800	*5,850*	*164.55*
5,850	*5,900*	*167.25*
5,900	*5,950*	*169.95*
5,950	*6,000*	*172.65*
6,000	*6,050*	*175.35*
6,050	*6,100*	*178.05*
6,100	*6,150*	*180.75*
6,150	*6,200*	*183.45*
6,200	*6,250*	*186.15*
6,250	*6,300*	*188.85*
6,300	*6,350*	*191.55*
6,350	*6,400*	*194.25*
6,400	*6,450*	*196.95*
6,450	*6,500*	*199.65*
6,500	*6,550*	*202.35*
6,550	*6,600*	*205.05*
6,600	*6,650*	*207.75*
6,650	*6,700*	*210.45*
6,700	*6,750*	*213.15*
6,750	*6,800*	*215.85*
6,800	*6,850*	*218.55*
6,850	*6,900*	*221.25*
6,900	*6,950*	*223.95*
6,950	*7,000*	*226.65*
7,000	*7,050*	*229.35*
7,050	*7,100*	*232.05*

7,100	*7,150*	*234.75*
7,150	*7,200*	*237.45*
7,200	*7,250*	*240.15*
7,250	*7;300*	*242.85*
7,300	*7,350*	*245.55*
7,350	*7,400*	*248.25*
7,400	*7,450*	*250.95*
7,450	*7,500*	*253.65*
7,500	*7,550*	*256.35*
7,550	*7,600*	*259.05*
7,600	*7,650*	*261.75*
7,650	*7,700*	*264.45*
7,700	*7,750*	*267.15*
7,750	*7,800*	*269.95*
7,800	*7,850*	*272.95*
7,850	*7,900*	*276.10*
7,900	*7,950*	*279.25*
7,950	*8,000*	*282.40*
8,000	*8,050*	*285.55*
8,050	*8,100*	*288.70*
8,100	*8,150*	*291.85*
8,150	*8,200*	*295.00*
8,200	*8,250*	*298.15*
8,250	*8,300*	*301.30*
8,300	*8,350*	*304.45*
8,350	*8,400*	*307.60*
8,400	*8,450*	*310.75*
8,450	*8,500*	*313.90*
8,500	*8,550*	*317.05*
8,550	*8,600*	*320.20*
8,600	*8,650*	*323.35*
8,650	*8,700*	*326.50*
8,700	*8,750*	*329.65*
8,750	*8,800*	*332.80*
8,800	*8,850*	*335.95*
8,850	*8,900*	*339.10*
8,900	*8,950*	*342.25*
8,950	*9,000*	*345.40*
9,000	*9,050*	*348.55*
9,050	*9,100*	*351.70*
9,100	*9,150*	*354.85*
9,150	*9,200*	*358.00*
9,200	*9,250*	*361.15*
9,250	*9,300*	*364.30*
9,300	*9,350*	*367.45*
9,350	*9,400*	*370.60*
9,400	*9,450*	*373.75*

9,450	*9,500*	*376.90*
9,500	*9,550*	*380.05*
9,550	*9,600*	*383.20*
9,600	*9,650*	*386.35*
9,650	*9,700*	*389.50*
9,700	*9,750*	*392.65*
9,750	*9,800*	*395.80*
9,800	*9,850*	*398.95*
9,850	*9,900*	*402.10*
9,900	*9,950*	*405.25*
9,950	*10,000*	*408.40*

Sec. 2. Minnesota Statutes 1949, Section 290.06, Subdivision 3, as amended by Laws 1951, Chapter 676, is amended to read:

Subd. 3. **Credits.** The taxes due under the foregoing computation shall be credited with the following amounts:

(1) In the case of an unmarried individual, and, except as provided in paragraph *7*, in the case of the estate of a decedent, $10, and in the case of a trust, $5.00;

(2) In the case of a married individual, living with husband or wife, and in the case of a head of a household, $30. If such husband and wife make separate returns the personal exemption may be taken by either or divided between them;

(3) In the case of an individual, $10 for each person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer. One taxpayer only shall be allowed this credit with respect to any given dependent. In the case of the head of the household, a credit for one dependent shall be disallowed. A payment to a divorced or separated wife which is includible under this act in the gross income of such wife, shall not be considered a payment by the husband for the support of any dependent.

(4) (a) In the case of an unmarried individual who has attained the age of 65 before the close of his taxable year, an additional $10;

(b) In the case of an unmarried individual who is blind at the close of the taxable year, an additional $10;

(c) In the case of a married individual, living with husband or wife, an additional $15 for each spouse who has attained the age of 65 before the close of the individual's taxable year, and an additional $15 for each spouse who is blind at the close of the individual's taxable year. If such husband

and wife make separate returns, these credits may be taken by either or divided between them;

(d) For the purpose of sub-paragraphs (b) and (c) of paragraph (4) of this subdivision, an individual is blind if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(5) In the case of a corporation, an amount computed by applying to the tax a fraction equal to one-tenth of the average of the following ratios:

(a) The ratio of the fair value of tangible property, real, personal and mixed, owned and used by the taxpayer in this state in connection with his trade or business during the taxable year to the total fair value of such property of the taxpayer owned and used by him in connection with the trade or business everywhere; cash on hand or in bank, shares of stocks, notes, bonds, accounts receivable or other evidence of indebtedness, special privileges, franchises, good-will or property the income of which is not taxable or is separately allocable, shall not be considered tangible property nor included in the apportionment;

(b) The ratio of the total wages and salaries paid or incurred during the taxable year in this state to the total wages and salaries paid or incurred during the taxable year everywhere;

(6) In the case of an insurance company, it shall receive a credit on the tax computed as above equal in amount to any taxes based on premiums paid by it during the period for which the tax under this act is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by Extra Session Laws 1933, Chapter 53, as amended;

(7) If the status of a taxpayer, insofar as it affects the credits allowed under paragraphs 1, 2 and 3 shall change during the taxable year, or if the taxpayer shall either become or cease to be a resident of the state during such taxable year, such credit shall be apportioned, in accordance with the number of months before and after such change. For the purpose of such apportionment, a fractional part of a month shall be disregarded unless more than one-half of a month, in which case it shall be considered as a month. In case of death during a taxable year a credit shall be allowed to the decedent, in proportion to the number of months before his death, and to his

estate, in proportion to the number of months after his death, and in any event a minimum credit of $5.00 shall be allowed to the decedent and his estate, respectively;

(8) In the case of a nonresident individual, credits under paragraphs 1, 2, 3 and 4 shall be apportioned in the proportion of the gross income from sources in Minnesota to the gross income from all sources, and in any event a minimum credit of $5.00 shall be allowed.

Sec. 3. Minnesota Statutes 1949, Section 290.09, as amended by Laws 1951, Chapters 421 and 679, is amended to read:

290.09 **Deductions from gross income.** The following deductions from gross income shall be allowed in computing net income:

(1) Ordinary and necessary expenses paid or incurred in conducting the activity or in carrying on the trade, profession, gainful occupation or business from which the gross income is derived, including a reasonable allowance for salaries and voluntary or compulsory contributions made by employers to maintain a voluntary or compulsory system of unemployment insurance or a system of old age pensions for their employees, and any welfare work for the benefit of such employee;

(2) The interest paid or accrued within the taxable year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations or securities the income from which is excludible from gross income under section 290.08, or on indebtedness incurred or continued in connection with the purchasing or carrying of an annuity;

(3) Taxes paid or accrued within the taxable year, except (a) income or franchise taxes imposed by this chapter; and (b) taxes assessed against local benefits of a kind deemed in law to increase the value of the property assessed; and (c) inheritance, gift and estate taxes. 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;

(4) Losses sustained during the taxable year not compensated for by insurance or otherwise if incurred in connection with a business or transaction the gains from which, if any, would be includible in gross income; or if arising from fires not attributable to arson by the taxpayer or some one

acting for him, or from storms, wrecks, other casualty, or theft. Losses from wagering transactions shall be allowed only to the extent of the gain from such transactions. No deductions shall be allowed under this clause for any loss sustained in any sale or other disposition of shares of stock or other securities if within 30 days before or after the date of such sale or other disposition the taxpayer has acquired (other than by bequest or inheritance) or entered into a contract or option to acquire substantially identical property and the property so acquired is held by the taxpayer for any period after such sale or disposition; but if such acquisition or the contract or option to acquire is to the extent of part only of substantially identical property, then only a proportionate part of such loss shall be disallowed. Deductible losses arising from fires, storms, wrecks, or other caualty shall be treated as sustained in the taxable year during which the property was injured or destroyed, and deductible losses arising from theft shall be treated as sustained in the taxable year in which the taxpayer discovers the theft. The amount of the deductible loss shall be computed on the same basis as is provided by section 290.12 for determining the gain or loss on the sale or other disposition of property;

(5) Debts which become worthless during the taxable year, provided, that the taxpayer may in the alternative deduct a reasonable addition to a reserve for bad debts; provided further, that the commissioner may allow a bad debt to be deducted or charged off in part. Corporations taxable under the provisions of section 290.361 which have heretofore in any taxable year taken such deductions by the reserve method in their income tax returns to the Federal Government may, on or before July 1, 1949, make application to the commissioner for permission to take such deductions for the same year upon the same method;

(6) A reasonable allowance for the exhaustion, wear and tear of property the periodical income from which is includible in gross income, and of property used in an occupation or business, including a reasonable allowance for obsolescence. In the case of property held by one person for life with remainder to another person the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant. In the case of property held in trust the allowable deduction shall be apportioned between the income beneficiary and the trustee in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the trust income allocable to each. In the case of buildings or other structures or improvements constructed or made on leased premises by a

lessee, and the fixtures and machinery therein installed, the lessee alone shall be entitled to the allowance of this deduction;

(7) In the case of mines, oil and gas wells, other natural deposits, and timber, a reasonable allowance for depletion. In the case of leases the deduction shall be equitably apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held by one person for life with remainder to another person, the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant. In the case of property held in trust the allowable deduction shall be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the trust income allocable to each;

(8) The amount of the deduction under clauses (6) and (7) shall be computed on the basis specified in section 290.16;

(9) The deductions provided for herein shall be taken for the taxable year in which paid or accrued, dependent upon the method of accounting employed in computing net income, unless in order to clearly reflect income they should be taken as of a different year;

(10) No deductions shall be allowed unless the taxpayer, when thereunto requested by the commissioner, furnishes him with information sufficient to enable him to determine the validity and correctness thereof;

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

(12) An allowance for amortization of war facilities to the extent that such deduction is finally allowed under sections 124 and 124A of the internal revenue code provided no deduction has been claimed with respect thereto under clause (6) of this section or any other section, subdivision, or clause of this chapter;

(13) In the case of a corporation, the amount of any income of the taxpayer attributable to the discharge, within the taxable year, of any indebtedness of the taxpayer, or for which the taxpayer is liable evidenced by a security (as hereinafter in this paragraph defined) if the taxpayer makes and files at the time of filing the return, in such manner as the commissioner by regulations prescribes, its consent to the regulations prescribed under section 290.12, subdivision 3, then in effect. In such cases the amount of any income of the taxpayer attributable to any unamoritzed premium (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be included in gross income and amount of the deduction attributable to any unamortized discount (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be allowed as a deduction. As used in this paragraph the term "security" means any bond, debenture, note, or certificate, or other evidence of indebtedness issued by any corporation.

(14) An allowance for all taxable years beginning after December 31, 1942, for amortization of bond premiums in accordance with the provisions of section 125 of the Internal Revenue Code adapted to the provisions of this chapter under regulations issued by the commissioner, but only to the extent that such deduction has not been allowed under any other section of this chapter.

(15) *Periodic payments to a wife who is divorced or separated from her husband by order of court or by decree of devorce or separate maintenance, received subsequent to such decree in discharge of, or attributable to property transferred in trust or otherwise in discharge of, a legal obligation imposed on the husband by such decree or by written instrument incident to such divorce or separation,* shall be deductible from gross income of the husband except to the extent they are excluded from his gross income as provided in section 290.072, *subdivision 2. The term "periodic payments" as used in this clause shall not include that part of any amount which is fixed by order of court or by the decree or written instrument as payable for the support of minor children of the husband. To the extent of the amount so fixed, the entire amount of such pay-*

ment, if less than the total amount payable, shall be considered as payable for the support of minor children. Installment payments of lump sum obligations fixed in the decree or written instrument shall not be considered periodic payments under this clause, unless the total amount is to be paid within a period ending more than ten years from the date of the decree or instrument, and then only to the extent that installment payments paid during the taxable year do not exceed ten per cent of the total amount so fixed.

(16) *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 290.21, clause (2), 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 *$1000.*

(a) If his adjusted gross income is *$10,000* or more, the standard deduction shall be an amount equal to ten per cent 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.

If a taxable year is less than 12 months because of a change in the accounting period or because of a change in domicile, the standard deduction shall not be allowed.

(17) Notwithstanding the provisions of section 290.10 (2), all expenditures (other than expenditures for the purchase of land or depreciable property or for the acquisition of circulation through the purchase of any part of the business of another publisher of a newspaper, magazine, or other periodical) to establish, maintain, or increase the circulation of a newspaper, magazine, or other periodical; except that the deduction shall not be allowed with respect to the portion of such expenditures as, under regulations prescribed by the commissioner, is chargeable to capital account if the taxpayer elects, in accordance with such regulations, to treat such portion as so chargeable. Such election, if made, must be for the total amount of

such portion of the expenditures which is so chargeable to capital account, and shall be binding for all subsequent taxable years unless, upon application by the taxpayer, the commissioner permits a revocation of such election subject to such conditions as he deems necessary.

(18) In the case of a tenant-stockholder as defined herein, amounts, not otherwise deductible, paid or accrued to a cooperative apartment corporation within the taxable year, if such amounts represent that proportion of (a) the real estate taxes (allowable as deductions under clause (3) of this section) paid or incurred by the corporation on the apartment building and the land on which it is situated, and (b) the interest allowable as a deduction under clause (2) of this section) paid or incurred by the corporation on its indebtedness contracted in the acquisition, construction, alteration, rehabilitation, or maintenance of such apartment building or in the acquisition of the land on which the building is located, which the stock of the corporation owned by the tenant-stockholder is of the total outstanding stock of the corporation, including that held by the corporation.

As used in this clause the term "cooperative apartment corporation" means a corporation

(a) having one and only one class of stock outstanding.

(b) all of the stockholders of which are entitled, solely by reason of their ownership of stock in the corporation, to occupy for dwelling purposes apartments in a building owned or leased by such corporation, and who are not entitled, either conditionally or unconditionally, except upon a complete or partial liquidation of the corporation, to receive any distribution not out of earnings and profits of the corporation, and

(c) 80 per cent or more of the gross income of which for the taxable year in which the taxes and interest described in this clause are paid or incurred is derived from tenant-stockholders.

The term "tenant-stockholder" means an individual who is a stockholder in a cooperative apartment corporation, and whose stock is fully paid-up in an amount not less than an amount shown to the satisfaction of the commissioner as bearing a reasonable relationship to the portion of the value of the corporation's equity in the building and the land on which it is situated which is attributable to the apartment which such individual is entitled to occupy.

Sec. 4. *The provisions of this chapter are applicable to all taxable years beginning after December 31, 1952.*

Approved April 23, 1953.

CHAPTER 668—H. F. No. 772

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1949, Section 290.19, Subdivision 1.

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

Section 1. Minnesota Statutes 1949, Section 290.19, Subdivision 1, is amended to read:

290.19 **Net income, allocation.** Subdivision 1. **Computation, business conducted partly within state; apportionment.** The taxable net income from a trade or business carried on partly within and partly without this state shall be computed by deducting from the gross income of such business, wherever derived, deductions of the kind permitted by section 290.09 so far as connected with or allocable against the production or receipt of such income. The remaining net income shall be apportioned to Minnesota as follows:

(1) If the business consists of the manufacture in Minnesota or within and without Minnesota of personal property and the sale of said property within and without the state, the remainder shall be apportioned to Minnesota on the basis of the percentage obtained by taking the arithmetical average of the following three percentages:

(a) The percentage which the sales made within this state and through, from or by offices, agencies, branches or stores within this state is of the total sales wherever made;

(b) The percentage which the total tangible property, real, personal, and mixed, owned or used by the taxpayer in this state in connection with such trade or business is of the total tangible property, real, personal, or mixed, wherever located, owned, or used by the taxpayer in connection with such trade or business; and,

(c) The percentage which the taxpayer's total pay-rolls paid or incurred in this state or paid in respect to labor performed in this state in connection with such trade or business is of the taxpayer's total pay-rolls paid or incurred in connection with such entire trade or business;