

through 30 in Township 155, Range 31, All of Townships 156, Range 36, 156, Range 37, 156, Range 38.

Subd. 3. This act shall expire June 30, 1971.

Approved June 6, 1969.

CHAPTER 1052—S. F. No. 1535

An act relating to taxation of corporations; corporate organizations and reorganizations; amending Minnesota Statutes 1967, Section 290.136, Subdivisions 6, 8, and 9.

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

Section 1. Minnesota Statutes 1967, Section 290.136, Subdivision 6, is amended to read:

Subd. 6. **Taxation; corporate organizations and reorganizations; basis to distributees.** (a) In the case of an exchange to which subdivisions 1, 2, 3, 4, 7 or section 290.137, subdivision 1 (b) applies:

(1) The basis of the property permitted to be received under such subdivision without the recognition of gain or loss shall be the same as that of the property exchanged;

(A) decreased by;

(i) the fair market value of any other property (except money) received by the taxpayer, and

(ii) the amount of any money received by the taxpayer, and

(iii) the amount of loss to the taxpayer which was recognized on such exchange, and

(B) increased by;

(i) the amount which was treated as a dividend, and

(ii) the amount of gain to the taxpayer which was recognized on such exchange (not including any portion of such gain which was treated as a dividend).

(2) The basis of any other property (except money) received by the taxpayer shall be its fair market value.

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(b) (1) Under regulations prescribed by the commissioner, the basis determined under clause (a) (1) shall be allocated among the properties permitted to be received without the recognition of gain or loss.

(2) In the case of an exchange to which subdivision 3 (or so much of subdivision 4 as relates to subdivision 3) applies, then in making the allocation under paragraph (1) of this clause, there shall be taken into account not only the property so permitted to be received without the recognition of gain or loss, but also the stock or securities (if any) of the distributing corporation which are retained, and the allocation of basis shall be made among all such properties.

(c) For purposes of this subdivision, a distribution to which subdivision 3 (or so much of subdivision 4 as relates to subdivision 3) applies shall be treated as an exchange, and for such purposes the stock and securities of the distributing corporation which are retained shall be treated as surrendered, and received back, in the exchange.

(d) Where, as part of the consideration to the taxpayer, another party to the exchange assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability such as assumption or acquisition (in the amount of the liability) shall, for purposes of this subdivision, be treated as money received by the taxpayer on the exchange.

(e) This subdivision shall not apply to property acquired by a corporation by the issuance of its stock or securities, *or the stock or securities of a corporation which is in control of the acquiring corporation*, as consideration in whole or in part for the transfer of the property to it.

Sec. 2. Minnesota Statutes 1967, Section 290.136, Subdivision 8, is amended to read:

Subd. 8. **Basis to corporation.** (a) If property was acquired in a taxable year beginning after December 31, 1956, by a corporation;

(1) in connection with a transaction to which subdivision 1 (relating to transfer of property to corporation controlled by transferor) applies, or

(2) as paid-in surplus or as a contribution to capital, then the basis shall be the same as it would be in the hands of the trans-

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feror, increased in the amount of gain recognized to the transferor on such transfer.

(b) If property was acquired by a corporation in connection with a reorganization to which this section applies, then the basis shall be the same as it would be in the hands of the transferor, increased in the amount of gain recognized to the transferor on such transfer. This clause shall not apply if the property acquired consists of stock or securities in a corporation a party to the reorganization, unless acquired by the issuance of stock or securities of the transferee, *or of a corporation which is in control of the transferee*, as the consideration in whole or in part for the transfer.

(c) (1) Notwithstanding clause (a) (2), if property other money;

(A) is acquired by a corporation, on or after December 31, 1956, as a contribution to capital, and

(B) is not contributed by a shareholder as such, then the basis of such property shall be zero.

(2) Notwithstanding clause (a) (2), if money;

(A) is received by a corporation, on or after December 31, 1956, as a contribution to capital, and

(B) is not contributed by a shareholder as such, then the basis of any property acquired with such money during the 12-month period beginning on the day the contribution is received shall be reduced by the amount of such contribution. The excess (if any) of the amount of such contribution over the amount of the reduction under the preceding sentence shall be applied to the reduction (as of the last day of the period specified in the preceding sentence) of the basis of any other property held by the taxpayer. The particular properties to which the reductions required by this paragraph shall be allocated shall be determined under regulations prescribed by the commissioner.

Sec. 3. Minnesota Statutes 1967, Section 290.136, Subdivision 9, is amended to read:

Subd. 9. **Definitions relating to corporate reorganization.**

(a) (1) For purposes of sections 290.131 through 290.136, the term "reorganization" means;

(A) a statutory merger or consolidation;

(B) the acquisition by one corporation, in exchange solely

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for all or a part of its voting stock, (or in exchange solely for all or a part of the voting stock of a corporation which is in control of the acquiring corporation), of stock of another corporation if, immediately after the acquisition, the acquiring corporation has control of such other corporation (whether or not such acquiring corporation had control immediately before the acquisition);

(C) the acquisition by one corporation, in exchange solely for all or a part of its voting stock (or in exchange solely for all or a part of the voting stock of a corporation which is in control of the acquiring corporation), of substantially all of the properties of another corporation, but in determining whether the exchange is solely for stock the assumption by the acquiring corporation of a liability of the other, or the fact that property acquired is subject to a liability, shall be disregarded;

(D) a transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor, or one or more of its shareholders (including persons who were shareholders immediately before the transfer), or any combination thereof, is in control of the corporation to which the assets are transferred; but only if, in pursuance of the plan, stock or securities of the corporation to which the assets are transferred are distributed in a transaction which qualifies under subdivision 2, 3, or 4;

(E) a recapitalization; or

(F) a mere change in identity, form, or place or organization, however effected.

(2) (A) If a transaction is described in both paragraph (1) (C) and paragraph (1) (D), then, for purposes of sections 290.131 through 290.138, such transaction shall be treated as described only in paragraph (1) (D).

(B) If—(i) one corporation acquires substantially all of the properties of another corporation.

(ii) the acquisition would qualify under paragraph (1) (C) but for the fact that the acquiring corporation exchanges money or other property in addition to voting stock, and

(iii) the acquiring corporation acquires, solely for voting stock described in paragraph (1) (C), property of the other corporation having a fair market value which is at least 80 percent of the fair market value of all of the property of the other corporation, then such acquisition shall (subject to sub-paragraph (A) of this paragraph) be treated as qualifying under paragraph (1) (C).

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Solely for the purpose of determining whether part (iii) of the preceding sentence applies, the amount of any liability assumed by the acquiring corporation, and the amount of any liability to which any property acquired by the acquiring corporation is subject, shall be treated as money paid for the property.

(C) A transaction otherwise qualifying under paragraph (1) (A), (1) (B) or paragraph (1) (C) shall not be disqualified by reason of the fact that part or all of the assets or stock which were acquired in the transaction are transferred to a corporation controlled by the corporation acquiring such assets or stock.

(D) *The acquisition by one corporation, in exchange for stock of a corporation, referred to in this subparagraph as "controlling corporation," which is in control of the acquiring corporation, of substantially all of the properties of another corporation which in the transaction is merged into the acquiring corporation shall not disqualify a transaction under paragraph (1) (A) of clause (a) if (i) such transaction would have qualified under paragraph (1) (A) of clause (a) if the merger had been into the controlling corporation, and (ii) no stock of the acquiring corporation is used in the transaction.*

(b) For purposes of this section the term "a party to a reorganization" includes

(1) a corporation resulting from a reorganization, and

(2) both corporations, in the case of a reorganization resulting from the acquisition by one corporation of stock or properties of another. In the case of a reorganization qualifying under paragraph (1) (B) or (1) (C) of clause (a), if the stock exchanged for the *stock or properties* is stock of a corporation which is in control of the acquiring corporation, the term "a party to a reorganization" includes the corporation so controlling the acquiring corporation. In the case of a reorganization qualifying under paragraph (1) (A), (1) (B), or (1) (C) of clause (a) by reason of paragraph (2) (C) of clause (a), the term "a party to a reorganization" includes the corporation controlling the corporation to which the acquired assets *or stock* are transferred. *In the case of a reorganization qualifying under paragraph (1) (A) of clause (a) by reason of paragraph (2) (D) of that clause, the term "a party to a reorganization" includes the controlling corporation referred to in such paragraph (2) (D).*

(c) For purposes of sections 290.131 through 290.136, except section 290.131, subdivision 4, the term "control" means the

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ownership of stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total number of shares of all other classes of stock of the corporation.

Sec. 4. *This act shall apply to all statutory mergers occurring subsequent to October 22, 1968.*

Approved June 6, 1969.

CHAPTER 1053—S. F. No. 1684

[Not Coded]

An act relating to Hennepin county; establishing the salaries of certain officers; amending Laws 1951, Chapter 702, Section 1, as amended.

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

Section 1. Laws 1951, Chapter 702, Section 1, as amended by Laws 1953, Chapter 753, Section 1, by Laws 1955, Chapter 875, Section 1, by Laws 1957, Chapter 950, Section 1, by Extra Session Laws 1959, Chapter 17, Section 2, by Extra Session Laws 1961, Chapter 45, Section 1, by Laws 1963, Chapter 857, Section 1, and by Laws 1965, Chapter 850, and by Laws 1967, Section 796, is amended to read:

Section 1. **Hennepin county; officers' salaries.** In the county of Hennepin, the county officers hereinafter named shall receive as ~~full~~ compensation for all services of every kind and nature performed as such officials *not more than the* stated annual salaries as follows, to-wit: county attorney, ~~\$20,000~~ *\$24,000*; ~~county auditor, \$12,150; and in addition thereto, the county auditor may receive any sum not more than \$500 which may be otherwise provided for services as a member of a municipal building commission; county superintendent of schools, \$9,250; county treasurer, \$12,100; clerk of district court, \$17,000~~ *\$18,000*; ~~court commissioner \$12,150; and in addition thereto the court commissioner may retain fees received for performing marriage ceremonies without accounting for the same or turning them in to the county treasury; register of deeds and register of titles; where the two offices are held by one person, \$12,150; sheriff, \$14,000~~ *\$19,000*. The board of county commissioners may fix the annual salary of each commissioner, which salary shall not exceed

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