

PROPERTY OF RESIDENTS; WILLS. ~~As a condition of admission to the home, every person shall execute his will; and deposit the same with the administrator of the home, disposing of any personal property of which he may die possessed. Upon the decease of any such testator-resident of the home~~, the veterans home board shall cause such of his personal estate as may be left in his possession to be disposed of pursuant to ~~the his~~ will, if any. All property of the deceased resident of the home not so bequeathed by will, and remaining at the home, unclaimed, for one year after his death, shall be inventoried, appraised, and sold, and the proceeds thereof paid into the state treasury to the credit of the Minnesota veterans home endowment, bequest and devise fund.

Approved June 2, 1975.

CHAPTER 226—H.F.No.474

[Coded in Part]

An act relating to taxation; denying tax deductions relating to substandard rental housing; amending Minnesota Statutes 1974, Chapter 290, by adding a section; Sections 290.01, Subdivision 20; and 290.12, Subdivision 2.

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

Section 1. Minnesota Statutes 1974, Chapter 290, is amended by adding a section to read:

[290.101] TAXATION; DENIAL OF DEDUCTIONS RELATING TO SUBSTANDARD BUILDINGS. Subdivision 1. No taxpayer who receives or has received rental income from a substandard building located in this state is allowed a deduction for interest and depreciation authorized under Minnesota Statutes, Section 290.09 or 290.01, Subdivision 20 which relate to that substandard building other than buildings used for agricultural purposes or owner-occupied buildings with four dwelling units or less.

Subd. 2. Substandard building means a building which:

(a) Has been determined, by a state, county, or city agency, charged by the governing body of the appropriate political subdivision with the responsibility for enforcing health, housing, building, fire prevention, or housing maintenance codes, to materially endanger the health and safety of the occupants or, if unoccupied, is a hazardous building within the meaning of section 463.15, subdivision 3; and

(b) after written notice by the agency to the owner, which (1) contains the particulars of the violation; (2) informs the owner of where an appeal may be filed; and (3) contains a general description of

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the tax consequences, if the violations are not corrected, has not been repaired or brought to a condition of compliance within six months after the date of the notice or within the time prescribed by the agency in the notice in accordance with applicable state law or local ordinance, whichever period is shortest, or on which good faith efforts for compliance as determined by the agency have not commenced. The agency may, if statute or ordinance so authorizes, extend the compliance date prescribed in the violation notice, for good cause shown.

Subd. 3. The agency shall also, at the time of written notice of violation to the owner pursuant to subdivision 2, inform the owner of federal, state, or local public or private housing rehabilitation programs including but not limited to the Minnesota housing finance agency rehabilitation loan and grant program, authorized pursuant to chapter 462A, and shall also refer owners to such programs.

Subd. 4. When the period specified in subdivision 2 has expired without compliance the agency shall mail to the taxpayer a notice of noncompliance. The notice of noncompliance shall be in the form and shall contain the particulars of the noncompliance and shall include the information, as may be prescribed by the commissioner, shall be mailed by certified mail, return receipt requested, to the taxpayer at his last known address, and shall advise the taxpayer:

(a) Of an intent to notify the commissioner of noncompliance;

(b) where an appeal may be filed; and

(c) a general description of the tax consequences of the filing with the commissioner and a general description of the tax consequences if the taxpayer should prevail on appeal. Appeals shall be made to the same body and in the same manner as appeals from other actions of the agency as authorized by statute or ordinance, including but not limited to an appeal to the county or municipal court of the county in which the building is located, concerning the violation and determination of material endangerment or hazard made pursuant to subdivision 2. No deduction shall be allowed for items provided in subdivision 1 from the date of the notice of noncompliance until the date the agency determines that the substandard building has been brought to a condition of compliance. The agency shall mail to the taxpayer a notice of compliance, which notice shall be in the form and include the information as may be prescribed by the commissioner. In the event the period of noncompliance does not cover an entire taxable year, the deductions shall be denied at the rate of one twelfth for each full month during the period of noncompliance.

Subd. 5. On or before March 15 of each year, the agency shall notify the commissioner of revenue of all cases of noncompliance in the previous year, and other information which is necessary for the commissioner to carry out his responsibilities as set forth in subdivision 9, on a form prescribed by the commissioner. The notice shall be in the

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form and include the information as may be prescribed by the commissioner.

Subd. 6. If the taxpayer is sustained upon appeal, the agency shall notify the taxpayer concerning the procedures for the filing of a refund. The notice shall be in the form and include such information as may be prescribed by the commissioner. The taxpayer may then file for a refund as provided for by law.

Subd. 7. For purposes of this section, a notice of noncompliance shall not be mailed by an agency to the commissioner if the building was rendered substandard solely by reason of tornado, flood, or other natural disaster.

Subd. 8. A notice of noncompliance shall not be mailed by the agency to the taxpayer until after the time the state or the governing body of the appropriate political subdivision has prescribed by statute or ordinance the nature and types of violations of codes referred to in subdivision 2, which would constitute a material endangerment to the health and safety of occupants of buildings or which would constitute a hazardous building within the meaning of section 463.15, subdivision 3.

Subd. 9. On or before March 15 of each year, the commissioner of revenue shall report to the tax committees of both houses of the legislature information indicating: (a) the number of written notices of violations issued by the agency pursuant to subdivision 2; (b) the number and types of substandard buildings found to be in noncompliance under this act and the average time of such noncompliance; (c) the number and types of buildings brought into a condition of compliance under this act; (d) a description of the types of violations found to endanger the health and safety of occupants under this act; and (e) the number and types of buildings abandoned, destroyed or no longer used for rental purposes after the service of a notice of noncompliance pursuant to subdivision 4.

Sec. 2. 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

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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.

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

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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 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, to the extent of the credit under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1972, 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 ; ;

(11) Expenses and depreciation attributable to substandard buildings disallowed by section 1 of this act.

(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

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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 1 of this act;

(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.

(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

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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 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 deduc-

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tions 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 1974, Section 290.12, Subdivision 2, is amended to read:

Subd. 2. **ADJUSTMENTS.** In computing the amount of gain or loss under subdivision 1 proper adjustment shall be made for any expenditure, receipt, loss, or other item properly chargeable to capital account by the taxpayer during his ownership thereof, and for the gain or any part thereof realized from the sale, exchange or involuntary conversion of a residence where, by reason of the provisions of section 290.13, such gain or any part thereof is not recognized. The basis shall be diminished by the amount of the deductions for exhaustion, wear and tear, obsolescence, amortization, depletion, and the allowance for amortization of bond premium if an election to amortize was made in accordance with section 290.09, subdivision 13, which could, during the period of his ownership thereof, have been deducted by the taxpayer under this chapter in respect of such property. The basis shall also be diminished by the amount of depreciation relating to a standard building disallowed by section 1 of this act. In addition, if the property was acquired before January 1, 1933, the basis, if other than the fair market value as of such date, shall be diminished by the amount of exhaustion, wear and tear, obsolescence, amortization, or depletion actually sustained before such date. In respect of any period since December 31, 1932, during which property was held by a person or an organization not subject to income taxation under this act, proper adjustment shall be made for exhaustion, wear and tear, obsolescence, amortization, and depletion of such property to the extent sustained. For the purpose of determining the amount of these adjustments the taxpayer who sells or otherwise disposes of property acquired by gift shall be treated as the owner thereof from the time it was acquired by the last preceding owner who did not acquire it by gift, and the taxpayer who sells or otherwise disposes of property acquired by gift through an inter vivos transfer in trust shall be treated as the owner from the time it was acquired by the grantor. The adjustments in case of a sale or other disposition of property received in a transaction of the kind specified in section 290.13, subdivision 1, and in the case of a transaction referred to in section 290.14, clause (6), shall include those which the taxpayer should have been required to make were he selling or otherwise disposing of the property exchanged, or sold, in any such transaction.

No adjustment shall be made:

(1) for taxes or other carrying charges described in section

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290.10(10), or

(2) for expenditures described in section 290.09, subdivision 16 (relating to circulation expenditures), for which deductions have been taken by the taxpayer in determining taxable income for the taxable year or prior years.

Sec. 4. Section 1 is effective for taxable years commencing after December 31, 1975 and shall, unless reenacted, expire after the taxable year ending December 31, 1979.

Approved June 2, 1975.

CHAPTER 227—H.F.No.481

[Coded in Part]

An act relating to agriculture; regulating wholesale produce dealers by requiring licensing, bonding, and assurance of financial responsibility; removing requirement of publication of information concerning commercial feed, fertilizer, and soil conditioners; removing restrictions on unofficial grain inspection certificates; providing a penalty; amending Minnesota Statutes 1974, Sections 27.00; 27.01, Subdivisions 2, 5, and 8; 27.03; 27.04; 27.06; 27.19; and Chapter 27, by adding a section; repealing Minnesota Statutes 1974, Sections 17.724; 17B.19; and 25.45.

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

Section 1. Minnesota Statutes 1974, Section 27.001, is amended to read:

27.001 AGRICULTURE; WHOLESALE PRODUCE DEALERS; REGULATION; PUBLIC POLICY. The legislature recognizes that perishable agricultural products are important sources of revenue to a large number of citizens of this state engaged in producing, processing, manufacturing, or selling such products and that such products cannot be repossessed in case of default. It is therefore declared to be the policy of the legislature that certain financial protection be afforded those who are producers on the farm; farmer cooperatives ~~exempted from which are not wholesale produce dealers license by reason of Laws 1969, Chapter 471, as described in section 27.01, subdivision 8; and~~ licensed wholesale produce dealers, including the retail merchant purchasing produce directly from farmers; ~~and nonprofit organizations producing agricultural produce for resale~~. The provisions of this chapter which relate to perishable agricultural commodities shall be liberally construed to achieve these ends and shall be administered and enforced with a view to carrying out the above declaration of policy.

Sec. 2. Minnesota Statutes 1974, Section 27.01, Subdivision 2, is amended to read:

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