

and motels located in the city. The tax shall be collected in the same manner as the tax set forth in the Duluth city charter, section 54(d), paragraph one. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

Sec. 3. **ALLOCATION OF REVENUES.** Revenues received from the taxes authorized by section 1, subdivision 2, and section 2 shall be used to pay for activities conducted by the city or by other organizations which promote tourism in the city of Duluth, and to subsidize the Duluth Arena-Auditorium and the Spirit Mountain recreation authority. Distribution of the revenues derived from these taxes shall be approved by the Duluth city council at least once annually, and shall be made in accordance with the policy set forth in this section.

Sec. 4. Laws 1973, Chapter 461, as amended by Laws 1977, Chapter 438, Section 1; and Laws 1977, Chapter 438, Section 2, as amended by Laws 1979, Chapter 114, Section 1 are repealed.

Sec. 5. This act is effective on January 1, 1981, after approval by the city council of Duluth and compliance with Minnesota Statutes, Section 645.021, Subdivision 3. If the city council approves the imposition of the tax authorized under section 1, subdivision 2, it may provide for the exemption from taxation of sales of food, meals or drinks at establishments having an aggregate yearly amount of sales less than an amount to be set by the council. If the city council approves the imposition of the tax authorized under section 2, it may provide for the exemption from taxation of sales of lodging at hotels or motels having less than a number of rental units to be set by the council. The determination of the amount of sales and number of units which qualify for the exemption shall be based on the council's finding that establishments having a lower volume of sales or fewer units are less likely to profit from the promotion of tourism provided with the proceeds of the revenues pursuant to section 3.

Approved April 7, 1980

CHAPTER 512—S.F.No. 49

An act relating to taxation; authorizing the establishment of individual housing accounts; providing that contributions to an account which are used exclusively in connection with the purchase of a first principal residence are deductible; providing tax penalties; amending Minnesota Statutes 1978, Sections 48.159; 50.157; 51A.21, by adding a subdivision; 290.09, by adding a subdivision; 290.17, Subdivision 2; and Chapter 52, by adding a section; and Minnesota Statutes, 1979 Supplement, Section 290.01, Subdivision 20.

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

Section 1. Minnesota Statutes 1978, Section 48.159, is amended to read:

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48.159 LIMITED TRUSTEESHIP. Subdivision 1. A commercial bank, upon approval by the commissioner of banks of an application in the prescribed form filed with him together with a filing fee of \$100, shall have the power to act as trustee or custodian within the contemplation of the federal self-employed individuals tax retirement act of 1962, as amended and shall have the power to act as trustee or custodian within the contemplation of the federal employee retirement income security act of 1974, as amended, to establish an individual retirement account. The funds shall be invested only in savings or time deposits in the bank in amounts fully insured by federal deposit insurance. Funds held in the fiduciary capacity may be commingled for purposes of investment, but individual records shall be maintained by the fiduciary for each participant and show in detail all transactions engaged in under authority of this section. In passing upon applications, the commissioner shall take into consideration the investment policies, amount, type, and adequacy of reserves, fidelity bonds, and legally required deposits of the applicant, and other pertinent facts and circumstances, and may grant or refuse the application accordingly.

Subd. 2. Upon application to and approval by the commissioner, a commercial bank shall have the power to act as trustee of individual housing accounts established pursuant to the provisions of section 290.09, subdivision 30.

Sec. 2. Minnesota Statutes 1978, Section 50.157, is amended to read:

50.157 LIMITED TRUSTEESHIP. Subdivision 1. A savings bank shall have the power to act as trustee or custodian within the contemplation of the federal self-employed individuals tax retirement act of 1962, as amended, and also within the contemplation of the employee retirement income security act of 1974, as amended. The trustee or custodian may accept such trust funds provided such funds are invested only in savings accounts or deposits in such bank or in obligations or securities issued by such bank. All funds held in such fiduciary capacity may be commingled for appropriate purposes of investment, but individual records shall be maintained by the fiduciary for each participant and shall show in proper detail all transactions engaged in under authority of this section.

Subd. 2. Upon application to and approval by the commissioner, a savings bank shall have the power to act as trustee of individual housing accounts established pursuant to the provisions of section 290.09, subdivision 30.

Sec. 3. Minnesota Statutes 1978, Section 51A.21, is amended by adding a subdivision to read:

Subd. 16a. TRUSTEE OF INDIVIDUAL HOUSING ACCOUNTS. Upon application to and approval by the commissioner, to act as trustee of individual housing accounts established pursuant to the provisions of section 290.09, subdivision 30.

Sec. 4. Minnesota Statutes 1978, Chapter 52, is amended by adding a section to read:

[52.136] INDIVIDUAL HOUSING ACCOUNTS. Upon application to and approval by the commissioner of banks, a credit union shall have the power to act

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as trustee of individual housing accounts established pursuant to the provisions of section 290.09, subdivision 30.

Sec. 5. Minnesota Statutes 1978, Section 290.09, is amended by adding a subdivision to read:

Subd. 30. INDIVIDUAL HOUSING ACCOUNTS. (a) There shall be allowed as a deduction the amount, not to exceed \$1,500, paid in cash during the taxable year by an individual taxpayer to an individual housing account established for his benefit to provide funding for the purchase of his first principal residence, together with all interest paid or accrued within the taxable year on the account. In the case of a married couple filing separate returns or filing separately on a combined return, the sum of the deductions allowable, for amounts paid in cash, to each of them for the taxable year may not exceed \$1,500. No deduction may be taken for an amount on deposit in the account for less than six months before withdrawal. Any amount deposited less than six months before the close of the taxpayer's taxable year may be taken as a deduction only for the next succeeding taxable year.

The amounts paid in cash allowable as a deduction under this subdivision to an individual for all taxable years may not exceed \$10,000. In the case of a married individual, the \$10,000 amount shall be reduced by an amount equal to the sum of the amounts paid in cash allowed as deductions pursuant to this subdivision for all taxable years to his spouse.

(b) For purposes of this subdivision, the term "individual housing account" means a trust created or organized in Minnesota for the exclusive benefit of an individual, or, in the case of a married individual, for the exclusive benefit of the individual and his spouse jointly, but only if the written governing instrument creating the trust meets the following requirements:

(1) Contributions will not be accepted for the taxable year in excess of \$2,500 or in excess of \$10,000 for all taxable years, exclusive of interest paid or accrued.

(2) The trustee is a financial institution, as defined in section 47.015, or a credit union, chartered or supervised under federal or state law, whose accounts are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, the National Credit Union Administration or any agency of this state or any federal agency established for the purpose of insuring accounts in these financial institutions. The financial institution must actively make residential real estate mortgage loans in Minnesota.

(3) The assets of the trust shall be invested only in savings or time deposits in amounts fully insured as prescribed in paragraph (2). Funds held in the trust may be commingled for purposes of investment, but individual records shall be maintained by the trustee for each individual housing account holder which show all transactions in detail.

(4) The entire interest of an individual or married couple for whose benefit the trust is maintained will be distributed to him, or them, not later than 120 months after the date on which the first contribution is made to the trust.

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(5) Except as provided in clause (c)(2) or clause (d) in the case of a disability or death the trustee will distribute no part of the funds in the account unless it: (a) verifies that the money is to be used for the purchase of a residence located in Minnesota, and it provides that the instrument of payment is payable to the mortgagor, construction contractor, or other vendor of the property purchased; or (b) withholds an amount equal to ten percent of the amount withdrawn from the account and remits this amount to the commissioner of revenue within ten days after the date of the withdrawal. The amount so withheld shall be applied to the liability of the taxpayer under clauses (c)(1) and (d).

(c) (1) Except as otherwise provided in this clause, any amount paid or distributed out of an individual housing account shall be included in gross income by the payee or distributee for the taxable year in which the payment or distribution is received, unless the amount is used exclusively in connection with the first purchase of a principal residence in Minnesota for the payee or distributee.

(2) Paragraph (1) shall not apply to the distribution of any contribution paid during a taxable year to an individual housing account to the extent that the contribution exceeds the amount allowable as a deduction under this subdivision if:

(A) The distribution is received on or before the day prescribed by law including extensions of time for filing such individual's return for the taxable year;

(B) No deduction is allowed under this subdivision with respect to the excess contribution; and

(C) The distribution is accompanied by the amount of net income attributable to the excess contribution. This net income shall be included in the gross income of the individual for the taxable year in which it is received.

(3) Paragraph (1) shall not apply to the distribution of any contribution paid during any taxable year to an individual housing account to the extent that the contribution exceeds the amount allowable as a deduction under this subdivision and no deduction was allowed under this subdivision with respect to the excess contribution.

(4) The transfer of an individual's interest in an individual housing account to his former spouse under a dissolution of marriage decree or under a written instrument incident to a dissolution of marriage is not to be considered a taxable transfer made by the individual and the interest, at the time of the transfer, is to be treated as an individual housing account of the transferee, and not of the transferor. After the transfer, the account is to be treated, for purposes of this subdivision, as maintained for the benefit of the spouse.

(d) If a distribution from an individual housing account to an individual for whose benefit the account was established is made and not used in connection with the first purchase of a principal residence in Minnesota for the individual, the tax liability of the individual under chapter 290 for the taxable year in which the distribution is received shall be increased by an amount equal to ten percent of the amount of the distribution which is includable in his gross income for the

taxable year. If, during any taxable year, the individual uses the account or any portion thereof as security for a loan, the portion so used is treated as distributed to that individual. No such liability shall be imposed if the payment or distribution is attributable to the taxpayer dying or becoming disabled as provided in section 290A.03, subdivision 10. An individual shall not be considered to be disabled unless he furnishes proof of the disability in the form and manner as the commissioner of revenue may require. Upon the death of an individual for whose benefit the account had been established, the funds in the account shall be payable to the estate of the individual, provided that, if the account was held jointly by the decedent and a spouse of the decedent, the account shall remain as the individual housing account of the surviving spouse.

(e) The trustee of an individual housing account shall make reports regarding the account to the commissioner of revenue and to the individual for whom the account is maintained with respect to contributions, distributions, and other matters as the commissioner may require under rules. The reports required by this clause shall be filed at a time and in a manner as may be required by the rules. A person who fails to file a required report will be subject to a penalty of \$10 to be paid to the commissioner of revenue for each instance of failure to file.

(f) For purposes of this clause, in the case of an individual housing account, the term "excess contributions" means the amount by which the amount contributed for the taxable year to the account exceeds the amount allowable as a contribution under clause (b)(1) for the taxable year. For purposes of this clause, any contribution which is distributed out of the individual housing account and a distribution to which clause (c)(2) applies shall be treated as an amount not contributed.

In addition to the tax liability of the individual under chapter 290 for the taxable year, there is imposed for each taxable year a tax not to exceed six percent of the value of the amount of the excess contributions to an individual's individual housing account.

Sec. 6. Minnesota Statutes 1978, Section 290.17, Subdivision 2, is amended to read:

Subd. 2. **OTHER TAXPAYERS.** In the case of taxpayers not subject to the provisions of subdivision 1, items of gross income shall be assigned to this state or other states or countries in accordance with the following principles:

(1) The entire income of all resident or domestic taxpayers from compensation for labor or personal services, or from a business consisting principally of the performance of personal or professional services, shall be assigned to this state, and the income of nonresident taxpayers from such sources shall be assigned to this state if, and to the extent that, the labor or services are performed within it; all other income from such sources shall be treated as income from sources without this state;

(2) Income from the operation of a farm shall be assigned to this state if the farm is located within this state and to other states only if the farm is not

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located in this state. Income and gains received from tangible property not employed in the business of the recipient of such income or gains, and from tangible property employed in the business of such recipient if such business consists principally of the holding of such property and the collection of the income and gains therefrom, shall be assigned to this state if such property has a situs within it, and to other states only if it has no situs in this state. Income or gains from intangible personal property not employed in the business of the recipient of such income or gains, and from intangible personal property employed in the business of such recipient if such business consists principally of the holding of such property and the collection of the income and gains therefrom, wherever held, whether in trust, or otherwise, shall be assigned to this state if the recipient thereof is domiciled within this state; income or gains from intangible personal property wherever held, whether in trust or otherwise shall be assigned to this state if the recipient of such income or gains is domiciled within this state, or if the grantor of any trust is domiciled within this state and such income or gains would be taxable to such grantor under sections 290.28 or 290.29;

(3) Income derived from carrying on a trade or business, including in the case of a business owned by natural persons the income imputable to the owner for his services and the use of his property therein, shall be assigned to this state if the trade or business is conducted wholly within this state, and to other states if conducted wholly without this state. This provision shall not apply to business income subject to the provisions of clause (1);

(4) When a trade or business is carried on partly within and partly without this state, the entire income derived from such trade or business, including income from intangible property employed in such business and including, in the case of a business owned by natural persons, the income imputable to the owner for his services and the use of his property therein, shall be governed, except as otherwise provided in sections 290.35 and 290.36, by the provisions of section 290.19, notwithstanding any provisions of this section to the contrary. This shall not apply to business income subject to the provisions of clause (1). For the purposes of this clause, a trade or business located in Minnesota is carried on partly within and partly without this state if tangible personal property is sold by such trade or business and delivered or shipped to a purchaser located outside the state of Minnesota.

In determining whether or not intangible property is employed in a unitary business carried on partly within and partly without this state so that income derived therefrom is subject to apportionment under section 290.19 the following rules and guidelines shall apply.

(a) Intangible property is employed in a business if the business entity owning intangible property holds it as a means of furthering the business operation of which a part is located within the territorial confines of this state.

(b) Where a business operation conducted in Minnesota, is owned by a business entity which carries on business activity outside of the state different in kind from that conducted within this state, and such other business is conducted entirely outside the state, it will be presumed that the two business operations are

unitary in nature, interrelated, connected and interdependent unless it can be shown to the contrary.

(5) In the case of a nonresident who is liable for payment of a penalty for having withdrawn funds from an individual housing account established pursuant to section 290.09, subdivision 30, the amount so withdrawn and for which a deduction was allowed shall be an item of income assignable to this state, and the penalty tax of ten percent shall remain an additional liability of that taxpayer.

(6) All other items of gross income shall be assigned to the taxpayer's domicile.

Sec. 7. [290.09] [Subd. 30. additional paragraph] Section 5 may be cited as the "Young Family Housing Act".

Sec. 8. Minnesota Statutes, 1979 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.

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(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, 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 this chapter 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.

The amendments made to sections 219(c) (3) and 220(c) (4) (extending the time for which a taxpayer is deemed to have made a contribution to an individual retirement account for the taxable year) by section 157(a) of P.L. 95-600 shall be effective for taxable years beginning after December 31, 1977.

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.

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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;

(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) (7) or under section 290.09, subdivision 24;

(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;

(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;

(12) To the extent deducted in computing the taxpayer's federal adjusted gross income for the taxable year, losses realized upon a transfer of property to the spouse or former spouse of the taxpayer in exchange for the release of the spouse's marital rights;

(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; and

(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).

(16) The amount of a distribution from an individual housing account which is to be included in gross income as required under clause (c) of section 290.09, subdivision 30.

(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 50 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 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) To the extent included in federal adjusted gross income, notwithstanding any other law to the contrary, the amount received by any person (i) from the United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions or from any other state or its political or governmental subdivisions, or a Minnesota volunteer firefighter's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409 or 409A of the Internal Revenue Code of 1954, as amended through December 31, 1977. The maximum amount of this subtraction shall be \$10,000 less the amount by which the individual's federal adjusted gross income exceeds \$17,000. In the case of a volunteer firefighter who receives an involuntary lump sum distribution of his pension or retirement benefits, the maximum amount of this subtraction shall be \$10,000; this subtraction shall not be

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reduced by the amount of the individual's federal adjusted gross income in excess of \$17,000;

(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;

(8) To the extent included in the taxpayer's federal adjusted gross income for the taxable year, gain realized upon a transfer of property to the spouse or former spouse of the taxpayer in exchange for the release of the spouse's marital rights;

(9) 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;

(10) 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;

(11) The amount of gain on the sale of the taxpayer's residence excluded from the federal gross income of the taxpayer pursuant to section 121 of the Internal Revenue Code of 1954, as amended through December 31, 1978 provided that a taxpayer who elects under that section shall not, for the purpose of this subdivision, also take an exclusion according to the provisions of section 121 of the Internal Revenue Code, as amended through December 31, 1976;

(12) The first \$3,000 of compensation for personal services in the armed forces of the United States or the United Nations, and the next \$2,000 of compensation for personal services in the armed forces of the United States or the United Nations wholly performed outside the state of Minnesota; and

(13) The amount of any income earned for personal services rendered prior to the date when the taxpayer became a resident of Minnesota.

(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 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.*

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Sec. 9. This act is effective for the taxable years beginning after December 31, 1980.

Approved April 7, 1980

CHAPTER 513—S.F.No. 523

An act relating to highway traffic regulations; limiting the length of certain vehicles and combinations of vehicles; prescribing a fee for certain permits; amending Minnesota Statutes 1978, Section 169.81, Subdivision 3, and by adding a subdivision.

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

Section 1. Minnesota Statutes 1978, Section 169.81, Subdivision 3, is amended to read:

Subd. 3. **LENGTH OF COMBINATIONS AND SEMITRAILERS AND TRUCK-TRACTORS.** (a) No combination of vehicles coupled together unladen or with load, including truck-tractor and semitrailers, shall consist of more than two units unless ~~such~~ the combination consists of a truck-tractor and semitrailer drawing one additional semitrailer equipped with an auxiliary dolly, and no combination of vehicles shall exceed a total length of 60 feet, ~~provided that this~~. The limitation shall not apply to the transportation of telegraph poles, telephone poles, electric light and power poles, piling, or pole length pulpwood, and is subject to the following further exceptions: ~~Said~~ The length limitations shall not apply to vehicles when transporting pipe, or other objects by a public utility when required for emergency or repair of public service facilities or when operated under special permits as provided in this subdivision, but ~~in~~ with respect to night transportation ~~every such~~ a vehicle and the load ~~thereon~~ shall be equipped with a sufficient number of clearance lamps and marker lamps on both sides and upon the extreme ends of ~~any~~ a projecting load to clearly mark the dimensions of ~~such~~ the load. Mount combinations may be drawn but ~~such~~ the combinations may not exceed 60 feet in length. ~~Said~~ The limitation on the number of units shall not apply to vehicles used for transporting milk from point of production to point of first processing, in which case no combination of vehicles coupled together unladen or with load, including truck-tractor and semitrailers, shall consist of more than three units and no ~~such~~ combination of ~~those~~ vehicles shall exceed a total length of 60 feet. For the purpose of registration, trailers coupled with a truck-tractor, semitrailer combination shall be considered the same as semitrailers. The state, as to state trunk highways, and ~~any~~ a city or town, as to roads or streets located ~~therein~~ within the city or town, may issue permits authorizing the transportation of combinations of vehicles exceeding the limitations ~~herein contained in this subdivision~~ over highways, roads or streets within their boundaries. Combinations of vehicles authorized by this subdivision may be restricted as to the use of highways by the commissioner, as to state trunk highways, and ~~any~~ a road authority, as to highways or streets subject to its jurisdiction. Nothing in this

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