the dependents shall receive the full amount of their income loss; this compensation shall be paid during dependency, but shall not exceed *$10,000* in case of a dependent wife, child, children, or orphan, and shall not exceed 300 weeks in case of any other dependent, payments to be made at the intervals when the wage was payable, as nearly as may be.

Sec. 5. Minnesota Statutes 1945, Section 176.12, Subdivision 20, as amended by Laws 1947, Chapter 611, is amended to read as follows:

Subd. 20. **Order of payment.** Actual dependents shall be entitled to take compensation in the order named in subdivision 3 above, during dependency, until 66 2/3 per cent of the daily wage of the deceased at the time of injury shall have been exhausted; provided, that such compensation shall not exceed *$10,000* in case of a dependent wife, child, children, or orphan, or continue beyond 300 weeks in case of any other dependent; but the total compensation to be paid to full actual dependents of a deceased employee shall not exceed in the aggregate *$30* per week.

Sec. 6. **Effective date.** This act shall take effect July 1, 1949.

Approved April 21, 1949.

CHAPTER 541—H. F. No. 390

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1945, Section 290.01, Subdivision 20, as amended; and Section 290.10, as amended.

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

Section 1. Minnesota Statutes 1945, Section 290.01, Subdivision 20, as amended by Laws 1947, Chapter 635, Section 1, is amended to read:

290.01. **Definitions.** Subd. 20. **Gross income.** The term "gross income" 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 dealings in, property; income derived from the transaction of any trade or business; and income derived from any source. 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. *If a husband and wife have filed a joint federal income tax return and separate Minnesota income tax returns for the same taxable period, amounts received as refunds on account of federal income taxes paid shall be included in gross income in the same ratio as the deductions for federal income taxes were claimed in the separate Minnesota tax returns.*

Sec. 2. Minnesota Statutes 1945, Section 290.10, as amended by Laws 1947, Chapter 635, Section 7, is amended to read:

290.10. **Non-deductible items.** In computing the net income no deduction shall in any case be allowed for:

(1) Personal, living or family expenses;

(2) Amounts paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate;

(3) Amounts expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made;

(4) Premiums paid on any life insurance policy covering the life of the taxpayer or of any other person;

(5) The shrinkage in value, due to the lapse of time, of a life or terminable interest of any kind in property acquired by gift, devise, bequest or inheritance;

(6) Losses from sales or exchanges of property, directly or indirectly, between members of a family, or, except in the case of distributions in liquidation, between an individual and a corporation in which such individual owns, directly or indirectly, more than 50 per cent in value of the outstanding stock; or between any person or corporation and a trust created by him or it or of which he or it is a beneficiary, directly or indirectly; for the purpose of this clause, an individual shall be considered as owning the stock owned, directly or indirectly, by his family; and the family of an individual shall include only his brothers and sisters (whether by the whole or half blood), spouse, ancestor, and lineal descendants, but such losses shall be allowed as deductions if the taxpayer shows to the satisfaction of the commissioner that the sale or exchange was bona fide and for a fair and adequate consideration;

(7) In computing net income, no deduction shall be allowed under Section 290.09, clause (1), relating to expenses incurred or under Section 290.09, clause (2), relating to interest accrued;

(a) If such expenses or interest not paid within the taxable year or within two and one-half months after the close thereof; and

(b) If, by reason of the method of accounting of the person to whom the payment is to be made, the amount thereof is not, unless paid, includible in the gross income of such person for the taxable year in which or with which the taxable year of the taxpayer ends; and

(c) If, at the close of the taxable year of the taxpayer or at any time within two and one-half months thereafter, both the taxpayer and the person to whom the payment is to be made are persons between whom losses would be disallowed under clause (6);

(8) Contributions by employees under the federal railroad retirement act, the federal social security act, or to Minnesota or federal public employee retirement funds.

(9) Expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this Act. *When the federal income tax liability is joint and several under a joint federal return of husband and wife, the allowable federal income tax paid on the income included in the joint federal return may be taken as a deduction from gross income by the spouse who paid the federal income tax.*

Sec. 3. **Effective date.** The provisions of this act shall apply to all taxable years beginning after December 31, 1947.

Approved April 21, 1949.

CHAPTER 542—H. F. No. 441

An act relating to gross earnings taxation of telephone companies, amending Minnesota Statutes 1945, Section 295.34.

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

Section 1. Minnesota Statutes 1945, Section 295.34, is amended to read:

295.34. **Telephone companies to pay tax on gross earnings.** Subdivision 1. Except as provided in subdivision 2 of this act every telephone company shall pay into the state treasury, on or before March first, in each year, beginning with March 1, 1938, the following percentages of its gross earnings of the preceding calendar year derived from business within this state: (a) four per cent of its gross earnings from service to rural subscribers; (b) four per cent of its gross earnings from exchange business of all cities of the fourth class and boroughs and villages having a population of 10,000 or less; and (c) seven per cent of its gross earnings derived from all other business; which shall be in lieu of all other taxes, except the taxes imposed by Chapter 290 and by Sections 285.01 and 285.02. All moneys paid by a company for connecting fees and switching charges to any other company