CHAPTER 259—S. F. No. 1284

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1957, Section 290.095, Subdivisions 3 and 4.

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

Section 1. Minnesota Statutes 1957, Section 290.095, Subdivision 3, is amended to read:

Subd. 3. **Amount deductible.** The amount of the net operating loss allowed as a deduction in computing net income shall be the aggregate of the net operating loss carryovers *and carrybacks* to the taxable year reduced by the amount, if any, by which the net income (computed with the exceptions and limitations provided in subdivision (4) (b) through (h)) exceeds the net income (computed without such deduction).

Sec. 2. Minnesota Statutes 1957, Section 290.095, Subdivision 4, is amended to read:

Subd. 4. **Computation; exceptions, additions, limitations.** The exceptions, additions and limitations referred to in subdivisions 1, 2, and 3 shall be as follows:

(a) Deductions otherwise allowable in computing taxable net income, but which are not attributable to the operation of a trade or business regularly carried on by the taxpayer, shall be allowed only to the extent of the amount of the gross income, not derived from such trade or business, included in computing such taxpayer's taxable net income. For the purpose of this paragraph, deductions and gross income shall be computed with the exceptions, additions and limitations provided in paragraphs (4) (b), (d), (e), (f), (g), and (h).

(b) There shall be included in computing the gross income used in computing taxable net income the amount of the interest, ~~excludible~~ *excludable* from gross income under section 290.08, that would be treated as assignable to this state, decreased by the amount of interest paid or accrued to purchase or carry the investments earning such interest to the extent that such interest would not have been deductible in computing the taxpayer's taxable net income.

(c) In the case of a taxpayer conducting any trade or business whose taxable net income is determined by an allo-

Changes or additions indicated by *italics,* **deletions by** ~~strikeout.~~

cation of net income under section 290.19, the net operating loss shall be computed for any such business in the same manner as if the entire gross income therefrom were assignable to this state, and the entire amount of such net operating loss (computed with the exceptions, additions and limitations provided in paragraphs (b), (d), (e), (f), (g) and (h)) shall be carried over in accordance with the provisions of subdivisions 2 and 3 as a deduction in computing net income. The net operating loss referred to herein shall be separately computed in regard to such separate business.

(d)   No taxpayer shall be allowed a net operating loss deduction for or with respect to losses connected with income producing activities if the income therefrom would not be required to be either assignable to this state or included in computing the taxpayer's taxable net income.

(e)   In computing the net operating loss for any taxable year, a net operating loss for a *any* prior *or succeeding* year shall not be allowed as a deduction.

(f)   The amount deductible on account of losses from sales or exchanges of capital assets shall not exceed the amount includible on account of gains from sales or exchanges of capital assets. The deduction for long-term capital gains provided by section 290.16, subdivision 4, shall not be allowed.

(g)   Renegotiation of profits for a prior taxable year under the renegotiation laws of the United States of America, including renegotiation of the profits with a subcontractor, shall not enter into the computation of a net operating loss.

(h)   Federal income and excess profits taxes shall not be allowed as a deduction in computing a net operating loss.

Approved April 10, 1961.

CHAPTER 260—S. F. No. 1286

[Coded]

An act relating to taxes on and measured by net income; amending Minnesota Statutes 1957, Section 290.071.

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

Changes or additions indicated by *italics*, deletions by ~~strikeout~~.