

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
Fourth Session – Tenth Legislature
36th Day

Thursday, March 20, 1947

The Assembly met at 3:00 o'clock p.m.
On the Orders of the Day.

RESOLUTIONS

RESOLUTION RE – GENERAL REVISION OF FARM INCOME TAX STRUCTURE

Mr. J. Benson (Last Mountain) moved, seconded by Mr. Thair (Lumsden):

That this Legislative Assembly recommend to the Dominion Government that, as a means of obtaining an adequate and needed increased food production, particularly animal products, to meet the urgent world needs and to encourage diversification and stability in Agriculture, the said Government undertake a general revision of the Farm Income Tax structure and method of collection, and that, in such revision, the following points be considered:

- (a) Provision for recognition and exemption on account of the work of the farmer's family which contributes to the farm income;
- (b) Provision for assessing farm income on the basis of a five-year moving average of profits and losses;
- (c) Provision that breeding herds be recognized as capital assets;
- (d) Provision that payments made on farm debts, incurred prior to 1939, be exempt from Income Tax;
- (e) Provision for Income Tax exemptions to bona fide farmers, resident on the farm, for the repair and construction of new buildings, including the farm home.

He said: Mr. Speaker, the purpose of this Resolution is first, to encourage diversification and stability in agriculture and second, suggest that any suggestion that may bring about those two results should be given serious consideration. Agriculture is our basic industry and anything that we may be able to do to put that basic industry on a firm foundation, should be carried out. The farm family is the foundation of our agricultural industry and I would like to point out in my opinion the farm family from some districts is disappearing. The mechanization of farms is causing that situation to develop. We find that on these farms where mechanization is carried out to the nth degree, that the farmer moves into town and operates his farm from some nearby town or village. A well-rounded farming proposition cannot be run by remote control and I suggest that we need more and better homes on those farms. Farming is a way of life and in my opinion it is an ideal way of life, no other occupation in my opinion affords so much freedom and liberty but even with all the freedom and liberty that we have in a farm today, we find

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that the young people are leaving the farm. They are leaving it because of the fact that they find more comfort, more privileges and more entertainment and a way of life that perhaps appeals to them as young people in the cities in contrast to their way of life they have on the farm.

In regard to this question, I think we should consider the effect of the income tax as it is presently levied on farm incomes and see if we can't find some method by which we can improve the method of levying that income tax and the method of collecting it, on various farm activities. I would like to suggest so far as I am personally concerned, that I would prefer a production tax levied in a similar manner to what the tax is levied when we deliver our wheat and grains in order to build up a surplus, in order to operate the PFAA scheme. Of course, there are arguments that may be advanced against such a tax because of the fact that people who now pay no income tax whatever, would point out that they are subject to many taxes today that they are unable to see and they pay them willingly because they don't know they are in existence and I think it would be a great improvement if we had a tax conscious public. I think we would get many benefits from having a tax conscious public. In fact, I believe that the taxpayers and the electors of this province and other provinces as a matter of fact would be more careful as to how their representatives spent the money that was collected by that tax. I am going to suggest that the Dominion Government should give consideration to levying a production tax.

I believe that when you deliver your produce, if a small tax was taken from you at that time, it would be paid when you had the money to pay it. It would save all this trouble of making out income tax forms and unfortunately the farmer is not a very good bookkeeper and we find that very often he has no records of his expenses or his income and any report that he sends in is more or less a haphazard guess. If we could have a production tax, in my opinion, it would save a lot of the machinery that is at the present time used to collect income tax. The farmer would pay it when he had the money and it would save a lot of grief for the officials and it would save a lot of grief for the farmers, but I know there are serious objections because of the fact that small farmers with low incomes would have to pay a tax just the same as the farmer with the higher income.

I would like to discuss the income tax in relation to its effect on an increased production, especially on the animal products. I know this, that figures can be produced and if you go down to the Income Tax Department today they can produce figures that will definitely prove to you that the income tax is not a detriment to increased production on the farm. Those figures may do that, but the very fact that an income tax is levied against a farmer causes him to curtail production of certain animal products. There is no doubt about it, whether the figures prove otherwise or not, the very fact that the tax is there many farmers do not produce this class of goods because of that tax. Now, increased production on many farms is the result of the work of the farm family and we find that minor or young people in any other walk of life are not subject to income tax, but on the farm the young -people on that farm and the farmer's wife because of the work they do in increasing the farm income, their work is subject to income tax and I maintain that that is not fair. The income tax has another effect on

farm production. On the farm we have no eight hour day. Sometimes I wish we could have an eight hour day on the farm, but we have no eight hour day and many of these products such as hogs, cattle in some cases, beef and beef products, dairy and dairy products, poultry and poultry products are produced on a great many farms because of overtime work, work done before the day starts and again after the day's work is finished, produced definitely by overtime work. An average farmer's day during the summertime especially is at least 12 hours, so this extra production is caused by overtime work after a real 12 hour day has been put in and we don't get one and one-half pay for that overtime work even after 12 hours and I sometimes envy my labor friends when they go out a few minutes over there eight hour day, they find they get time and a half for overtime. Sometimes under certain conditions they get double time, but there is no such thing as that so far as the farmer is concerned.

Now, the income tax today rather than assisting the farmer by causing him to keep more accurate accounts and so on, income tax really penalizes a farmer for doing overtime work. That is an unusual situation I admit, but that is the actual result of it. When a working man, who worked on an eight hour day, works overtime he probably has to pay income tax on his overtime but he is not penalized. He gets time and a half and then he pays his income tax. The farmer gets no overtime allowance and he is penalized by the income tax for having to do that overtime work. I would suggest that if we would increase production in respect to animal products, that there is no other factor could bring about that increased production so much as removing the income tax from at least a portion of those animal products that are sold by the farmer. I would suggest that if the Federal Government, wishes to have poultry products, dairy products and pork products increased in Saskatchewan, or in any other province of Canada, as a matter of fact on the average farm, if that income tax was removed on the first \$500 or \$1,000 worth of goods sold by the farmer, I think you would see a tremendous jump in the production of those particular productions.

The price of barley and oats as the increase of the price of barley and oats as announced in the newspaper yesterday and the day before, will have this effect on the farmer who raises that oats and barley because he gets no extra benefits from the feeding of his own oats and barley to his livestock. He will decide that it will be better for him to sell his oats and barley direct and let the other fellow feed the hogs the barley. The farmer will not feed pork, will not feed cattle, chickens or anything else unless they are going to make something out of it. The price is the rolling factor and if someone else is going to have an advantage in producing those particular type of products that he himself cannot get, then he will not produce it and I suggest that something should be done to straighten up that particular condition that exists.

I might point out to you that hog prices were increased some time ago, but now that oats and barley prices have jumped up again, we will find that there is not the margin in it for the farmer because of those recent increases. I am not condemning the increases mind you, but I do say this, that if the Government requires us to produce more of these animal products, then the price of hogs will have to again be increased to bring them in line, to bring those prices in line with the present prices of oats and barley.

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As I have already point out, the income of a farmer's wife and his children is taxed. That income is not taxed by the work of any other woman or any other man's family in this province and I think that provision, there should be some allowance made in respect to the farmer and/or the farmer's wife and family. Then in (b) we ask for a five-year moving average as a basis for establishing the farmer's annual income. At the present time the income tax authorities allow us to take regard of a three-year average, but I maintain that three years is not yet enough. Of course that's better than it was, but we may have periods of even three years at a time when we have good crops and good prices and have a high income. We also may have good crops and poor prices, any combination of events affects the farmer's income and I believe that we should have a five-year period as a basis for levying income tax on the farmer.

In regard to number (c) or (d) provision, that breeding herds be recognized as capital asset, at the present time there is no provision in the income tax branch for recognition of the breeding herds and I believe that during periods of bad times when the farmer is building up his her, when he has no income tax to pay, that he should not then be assessed income tax if he later sells that herd because a lot of it has been built up through unprosperous years.

Then in regard to the farm debts, levied prior to 1939. I am glad to say that the farm situation so far as debt is concerned in this province is much better than it has ever been in the history of Saskatchewan. But there are still many farmers in Saskatchewan who have not yet cleaned up their old debts and I maintain that because these debts were built up during bad years when he had no possible chance to pay them, that now when he is faced with more prosperous times he should be allowed to pay off those debts and the money paid on those old debts prior to 1939 should not be assessed for income tax purposes.

Then number (e), repairs to the farm home. The farm home is part of the farm establishment and if we do not improve our farm homes, make them more comfortable and more modern, then we cannot expect to keep the young people on the farms and I believe that the future of agriculture in this province and this country is absolutely based n the farm home. It is a foundation of our society here and anything that we can do to make that foundation solid, then I think it should be done. Today the farm home as it always is, is a part of the farm establishment. You can't separate the farm home from the rest of the farm business. If you do, then I don't know what sort of an institution you will have. It is a unit in itself. There can be no division between the home and the rest of the farm. But today we are not allowed any exemption on account of any expense that we might occur, in respect to repairing or improving that farm home. The farm home itself houses much of the farm machinery. Half of the dairy industry of Saskatchewan is carried on right in the farm home. On most farms it is a boarding house and at this time of the year when the farmer is getting his young chickens, he generally has to take them into the home to keep them warm until warmer weather starts. It is an institution in itself that cannot be divided from the rest of the farm and I maintain that consideration should be given to any expense that is incurred in regard to making better farm homes in this pr. I want to see Saskatchewan a province where we have the very best farm

homes that exist in the Dominion of Canada and I would suggest that the Members would suggest this Resolution with the aim that that might be brought about.

Mr. Speaker, I therefore move this Resolution.

Mr. W.S. Thair (Lumsden): — Mr. Speaker, in seconding the Resolution moved by the Hon. Member from Last Mountain I might say that he has fairly well covered the five important points as set out in the Resolution, but I would like to emphasize some of them and perhaps introduce some others.

I believe there are a number of important points that are sometimes overlooked in the farmer's case for income tax exemptions. From 1930 to 1943 the Canadian farmer received far less than his share of the national income and he contributed more than his share to the national economy by the way of cheap food. Because he did not receive a fair wage during those years he was going bankrupt. The Debt Adjustment Act and the Federal Boards of Review, you will well recall, Mr. Speaker, worked overtime, to keep them on the farm in many cases. During this low income period from 1930 to 1943, the farmer built up a load of interest, mortgage, bank and machines, hospital, store and tax debts, not to mention the deterioration of his equipment and his buildings and I consider this a justification for greater consideration to the farmer with regard to income tax.

Mr. Speaker, the income tax as it applies to farmers is a very contentious one, I know that, myself being a farmer living on his land. It is a human failing from which the farmer does not pretend to be free and that is to dislike any kind. I am in accord with that, we have that feeling. But farmers, as a class, to be quite frank, have never been much opposed to the view that a stately, graduated income tax is the fairest that can be levied. In early controversies for years on this subject across Canada, the farm organization have nearly always supported the principal of income tax. The Member for Last Mountain, Mr. Benson, who has introduced this Resolution has dealt rather fully with the five points of this motion. I would like to emphasize in a few words two or three of these points and perhaps mention some other problems, of income tax that were submitted in a brief by the Canadian Federation of Agriculture in March, 1946 to Prime Minister MacKenzie King and his Cabinet.

I might say, Mr. Speaker, that in no business is accounting as complicated as in farming, as farmers are well aware. Trained accountants who are working and inspectors who go out in the country even throughout this last two years, working n farm books are often at a loss to differentiate between income and capital received. Expenditures are so interwoven in the business of running a farm, as Mr. Benson has pointed out, that it is almost impossible to segregate them. The situation is further complicated by the fact that expenditures of the household can scarcely be distinguished from expenditures for the operation of the farm. Mr. Speaker, because of variations in the farm income from year to year, I would like to say that the Canadian Federation of Agriculture which represents some 400,000 farmers across Canada is asking that the income tax be levied not on any one year's income but that it be a moving average over a five-year period. You are well aware, Mr. Speaker, that the Federal Government has amended the Income Tax Act, section 9, subsection 5, which enables the farmer to average his income

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over three years. The farmers are just simply asking that it be made a five-year average. They think it would be more fair.

I would like to emphasize the need for some consideration to be given to the stockman who has a basic herd. I have a good many stockmen in my constituency and they are alarmed when it comes time to have a dispersing sale; when there will perhaps be a spurt in their herd; and the great difficulties involved. It is simply stated that if a farmer or a ranch who has been paying income tax on a cash basis quite the business he holds a sale. His receipts for that year are tremendously increased by the conversion into cash of assets that may have been accumulated over these earlier years when the income tax rates were negligible and these receipts at this dispersion sale are taxed at the present rate. The farmers contend that the proceeds of such sales are not income and therefore should not be taxed.

Another point, Mr. Speaker, emphasized in this brief submitted by the Canadian Federation of Agriculture to the Federal Cabinet, is this, and I quote:

That farmers be no longer required to accept responsibility for collecting income tax from their hired help.

I might say that this has rather been a difficult problem, that I am well aware of it as a farmer and it affects all the farmers across Canada. If one goes down now or any time to the Employment Office or to the National Selective Service Agency and has an interview with a man about hiring him for farm work for a period of perhaps from one to six months, he would find it impossible, indeed, to hire a man at all if he just happened to mention that he would have to keep out of his wages a certain amount of income tax. He couldn't hire a man, maybe I don't blame them a bit, if he has to pay income tax to the Department of National Revenue. From unofficial sources, Mr. Speaker, after having talked to the income tax office, I understand that the present policy that is being considered to some extent, at least, is to say nothing to your farm worker whom you are about to hire about the income tax, but on the supplementary form which is supplied, which the farmer makes out, to simply complete the name and address and wages paid to this man and the amount allowed to be charged for board. The Federal Government will then accept the responsibility of collecting the necessary tax that is to be paid. But it would clarify matters if the Department of National Revenue, Income Tax Branch, would openly make a clear-cut declaration in regard to this matter and that would satisfy the farmers very much.

Mr. Speaker, a further recommendation of the Canadian Federation of Agriculture is one which might be of great assistance to many farmers and that is that the Government should provide a board of arbitration whereby taxpayers may have a simple and inexpensive means of appealing decisions of the income tax officials. I am not going to go into this matter, I am just going to leave this thought with you. I have made reference, Mr. Speaker, to the basic herd which would be treated as a capital asset, not being subject to income tax. I would also like to point out that the kind of farming which the western farmer is forced by economic circumstances to pursue today, is certainly but slowly depleting his main capital asset, which is the soil. The farmer is just as much entitled to a considerable deduction on income tax on this account as are the owners of lots of other capitals and the men who have capital investments,

coal mines, oil wells, gold mines or anything of that nature. The soil is a main capital asset. We are depleting the soil. Mr. Archibald, the former Deputy Minister of the Federal Department of Agriculture some two years ago made a statement regarding the gradual but certain decreased yields of cereal crops over a 40-year period through soil depletion. The soil is a farmer's asset, capital asset. There isn't any doubt in the minds of soil scientists everywhere that we are gradually depleting our soil, which is a capital asset and perhaps some consideration should be given by the Income Tax Department to this matter.

Mr. Speaker, in closing, I might say that these are just a few of the recommendations coming from myself, a farmer on the land, and I am sure it would be the opinion of practically all western farmers across Canada for changes in our Income Tax Act. I have much pleasure, Mr. Speaker, in seconding this Resolution.

Mr. G.H. Danielson (Arm River): — Mr. Speaker, I would just like say a few words on this Resolution. I think this is a resolution which involves practically the same principle which the Legislature passed a year ago and I might say in the beginning that I am heartily in favor of the points that this Resolution raises. I think there are wants that are very important to the farmers of this province and the farmers of Canada as a whole.

There are, of course, certain things that might be brought out in connection with this matter that might be a little more up-to-date perhaps. Our friend, the Member for Lumsden, said something about Arbitration Boards. Well, he is correct in saying that there has been no regular Arbitration Board set up, but there has been some speculation along that line, Mr. Speaker, because when Mr. Ilsley brought down that last Budget in the House, he made this statement: "... a travelling Board of Income Appeals will be set up to hear appeals in various parts of Canada, coming from tax assessments for the year 1946 and later years." These Boards are supposed to travel from place to place and hear these appeals and decide on the merit of the case. Of course, there is one provision, Mr. Speaker, that the final decision will lie with the Minister. That may not be quite what we like, however, that is the case at the present time. We have made a stat along that line. I am sure if we ask for it, we may get a regular board set up, which would be a local board. That means if we had a board or two for the Province of Saskatchewan alone and I would suggest if that time comes that this will be a reality, then we should have at least one board especially set up for dealing with tax complaints and tax cases affecting the farming and the farming industry.

There are several points in this Resolution, Mr. Speaker, and one of them deals with exemption for the farmer's wife, I think it is, or rather the farmer's family. I am heartily in favor of that because as the Member for Last Mountain pointed out, most of the tremendous work done on a farm is of a type in which the value of that work is shown in their profit, such as dairy profits, poultry profits and profits from hog raising and so on and so forth. We know that these are supposed to be shown if they are any amount to speak of, in our tax returns, then they come taxable. We have at the present time, of course, an exemption whereby the farmer can claim that his wife has had an income of \$250. It is all very well as far as it goes. It doesn't go far enough by any means, but it is better than what it used to be because previous to the last Budget we had a

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provision whereby a wife working in an office, or in a business or anything else, could have an extension of \$660 and still the husband of that wife could have claimed the full exemption of \$1200 as a married man. That provision of that privilege was not extended to the farmer's wife or the farmer's family. The thing has been equalized so that the wife can have an exemption to an income of \$250 whether she is on the farm or in the city, whether she is working or not working or out earning any money. That is a step in the right direction.

There is another provision here that I don't think the Member for Last Mountain or the Member for Lumsden has said anything about. It is not perhaps a very important thing, but at the same time it might be well to bring it out and that is that a farmer can pay any boys on his farm under 18 years of age, \$400 a year and still rate that particular boy as an exemption, as a dependent in the family. There is, however, this provision that if that is done the farmer must charge that boy \$20 a month board; and so when the thing is all figured out the cash that the farmer can actually pay his boy is about \$160. Now this has had some effect of inducing boys to go out and leave the farmer because a boy of 18 years of or less, a husky bright boy, can go out and earn wages far, far more than \$400 a year, if he want to go out and he will then have an exemption, Mr. Speaker, of \$750 under the new provisions of The Income Tax Act. So there has been a tendency instead of the boy staying on the farm he is going away from the farm, that means his home and going out and taking work someplace else.

Insofar as the exemption which is asked for in this Resolution in regard to building and making farmers' homes exempt from income tax, that means any expenditures like upkeep and build and provision for the extension of that home should be exempt under the Income Tax Act. This is absolutely reasonable because after all as pointed out here by the Member for Last Mountain, a farmer's home is part of his plant, part of his producing plant. Particularly is that the case, Mr. Speaker, if there is what we call a mixed farm. A farm that is most valuable to any nation is the farm that not only produces grain all the time, but milks cows, produces hogs, poultry and all these things and then if they have that sort of a farm, Mr. Speaker, we need it to be tax exempt. The home of that farm is only part of the machinery and equipment for producing these products and for that reason I think there is nothing unfair to ask that this particular expense be allowed under the provisions as expense under income tax.

Now, I am not going to take up any more of this time. I wanted to say to the Member for Last Mountain that his Resolution is a very good one and I heartily support it, Mr. Speaker.

Hon. I.C. Nollet (Minister of Agriculture): — Mr. Speaker, I would like to make a few remarks in connection with this Resolution. My first observation is that generally speaking when a matter comes before this House it has to do with the general wellbeing of the farmer. (Either the Members of the Opposition leave the Chamber or they go to sleep. Mr. Speaker, it seems to me that if the Leader of the Opposition is going to be the friend and champion of the farmer, he should wake up.) Mr. Speaker, farmers generally are not opposed to paying the income tax, but when the income tax regulations are such that they place restraints on production and on a farmer's

individual enterprise to attain production then I think it is necessary that the income tax regulations be so changed as to give the farmer some protection.

The line parties generally make a great play at enterprise, emphasizing the enterprise of the farmers. It seems to me today this is beyond question that there is very little encouragement for a farmer to step out and really increase production. There is a whole lot less encouragement for a farmer to engage in diversified agriculture. In the Department of Agriculture we are attempting to get some stability in the agriculture industry to diversification. In addition to the recently announced changes in respect to barley and oat prices, that is a real help for continued livestock production in Saskatchewan. On top of that we have the income tax restraints. I do not see much hope for diversification of our agriculture economy in Saskatchewan with these added restraints. Unless we have diversification which means the encouragement of livestock production, we are not going to have stability. And surely if we are not going to be permitted to catch up to the terrific expense of this repair on their homes, that you see all around us in our rural areas, the wind-swept shacks, for which Saskatchewan is famous, it seems to me ridiculous that these farmers on our prairies should be paying income tax where they are existing in shacks and have straw barns for shelter for their livestock.

Under those circumstances we are not going to have our young people going to the country. I want to say, Mr. Speaker, this question of inducing young people to go and take up farming as an occupation and get our young people to go and work on the farm is a real serious one, the Federal Department of Labour knows a good deal about that. One of the first steps, I think, to encourage a little individual enterprise on the farms and at the same time to get some stability in our agriculture would be to permit our farm people to have monies that would go into the construction of new buildings including the farm home. Goodness knows we need them bad enough. From the revenue angle as far as the Federal Government is concerned, the loss wouldn't be great, but when one considers the benefit that would be given to production, the Dominion as a whole would be tremendously better off in my opinion and in my opinion, too, our rural population in Saskatchewan would not only get those advantages of life to which we have been looking forward for the last 25 or 30 years. But, in addition to that we would get real stability in our farm industry in Saskatchewan and at the same time attract the younger generation to go back to the soil and to apply the benefits of their additional academic and agricultural training that they had and I think by so doing, we can not only stabilize our agriculture economy here in Saskatchewan, but we can tremendously increase our over-all wealth derived directly from the soil.

Mr. Speaker, I take great pleasure in supporting the Resolution.

Mr. P.J. Hooge (Rosthern): — Mr. Speaker, I have myself brought forward the question of taxation on many occasions and a number of the farmers of the Rosthern constituency seem to be entirely favourable to this second provision of the tax law. They are not so much against paying income tax, but they would like to pay it at the time they have their money and get through with it and not pay it in

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a lump sum when they probably find the payment of this money to be quite a burden.

The Member for Last Mountain stated that the farmers did not keep records. I think records would have to be kept even if we had the production tax, but I think we should assist the farmers in this respect. You are all familiar with these blue forms that generally accompany the income tax returns for farmers. On the left hand side we have a list of items wherein you are to enter the receipt, and on the right hand side, the expenditure. I think the Department of National Revenue could publish some kind of a pamphlet containing specific information and containing those various items and leaving a blank space under each one of these items. The first page or so of this book could contain some of the other requirements of the income tax returns such as the name of the party, whether he is married or single and how many dependents he has and family allowances and that sort of thing. The rest of the book could be, I think, devoted to the income and the receipts and the expenditures. The farmers in this country are more or less used to carrying around books of various kinds. For instance, they sell grain to an elevator now, they have to have their permit books and so I don't think they would object to having this extra book. It could be in convenient form to be carried in a pocket and if they sell their grain, for instance, at an elevator, this could be entered the same as the permit book by the elevator agent, so much money to the farmer and so much money deducted for income tax. The same if he disposes of cream; same if he disposes of butter; and, again, if he buys certain things which are deductible for expenses the dealer could make a corresponding entry under the expenditure. Now, actually this would not be a great deal of extra trouble on the part of the farmer and at the end of the year he would find that he had a partially complete income tax return which could be submitted to the Income Tax Office at Saskatoon, Prince Albert or Regina wherever the case may be. The employees in these offices could check their returns and the matter could be looked over in a very few minutes. I think in many of these cases it would be found that the farmer was actually entitled to a refund, but in the meantime the farmer would have been, as he got this income, would have been paying income tax and if was overpaid he would be entitled to a refund.

I think the further benefit would be this; not only would the farmers be paying the income tax when they had the money, but in this way we would have a much larger amount of income tax paid than we have at the present time and the effect would be that we could have a lower income tax rate. At the present time comparatively few in this Dominion are paying income tax. I think more should pay than are paying at the present time. As a matter of fact, in the case of employees that system was followed for a number of years. I think it is the fairest and after all the fairest cheque could be the largest and I think in this way, if more people paid income tax all of them would pay less.

I am supporting the Resolution of the Member for Last Mountain, particularly that part of it dealing with the production tax and I think some system could be devised that could make it quite fair to them. As the Member for Last Mountain pointed out that one thing he regretted about that system was that some farmers would be paying income tax that should not be taxed, but as I pointed out if this return is submitted to the

Income Tax Office and it is then found that the farmer actually paid more income tax than he should, he should be entitled to a refund, so it would work out very fairly on all parties concerned.

Mr. M.H. Feeley (Canora): — Mr. Speaker, I just want to say a word or two in opposition to the suggested production tax. I understand, at least, generally speaking when they get a fair crop they are in a pretty good position to pay taxes. In other parts of the province the part from which I come, for example, production costs are very much higher. I happened to be talking, recently, to a friend who lives near the city of Regina. The discussion was over this proposed fuel tax and we compared notes as to the amount of fuel we used per acre. I found that on his farm he used less than half the fuel per acre, less than half as much as we used on ours. For many, many years we in our part of the country have had fairly good crops, crops in which the yield would be very profitable in those parts of the country where the costs of operation are much less. I know that in some parts of the province, working their summerfallow, they work it one, two or three times. In our part we work it generally from 10 to 12 times. In some places they have no stones to contend with, no sloughs, where the work is straight going. We have so many stones that when we have used a disc for two years it is gone, it is entirely worn out; we have to replace it. A one-way disc that will stay sharp for years in the Regina Plains won't stay sharp for one day in our district. So that the costs of production are extremely higher, a great deal higher in some places than they are in others. Then, of course, there is another difficulty that might be overcome, I admit that I don't know just how you would do it. It is a fact that the production tax would be comparatively easy to raise on the farm, but what about the labouring people. How are you going to assess them, to collect your production tax from them on a basis somewhere comparable to that that you would have in the case of the farmer? From that particular angle I am certainly opposed to a production tax.

Mr. A.L.S. Brown (Bengough): — Mr. Speaker, I don't intend to say very much on this Resolution. It appears to me that it has developed into more of an argument and a discussion on the question of production tax rather than on an income tax which was originally intended. I cannot see that we can have a great deal of connection between a production tax and an income tax. I think that there is a great deal that can be said on both of them and I think that it is possible that at some future date we may be in a position where we will have both a production tax and an income tax, but there is one point which I wish to bring out in this Resolution. It deals entirely with the question of farm income taxation and it might create the impression, in the minds of some people, that we are through this Resolution asking that the farmers be placed in a special category or in a special class. I wish to point out that there are at least three clauses in this Resolution that may be applied as well to labouring groups, for instance, as it can to farmers. I think that it is only fair that we, as farmers, point that out; that we are not through this Resolution asking for special privileges, but that we are dealing with one specific portion of our population and the amendments which we suggest here to the Income Tax Act can be applied equally as well to other classes of people.

I would, for instance, draw your attention to Clause (e)

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which says:

Provision for income tax exemption to bona fide farmers, resident on the farm, for the repair and construction of new buildings, including the farm home.

I think that that could be equally applied to the labouring class, that for those people who are building their own home that they be entitled to exemption for such purposes providing that they are building the home for themselves or the family. I think that can also be applied to (d), "Provision that payments made on farm debts incurred prior to 1939 be exempt from income tax." I think that that can also be applied to other classes of people other than farmers and I as a farmer, Mr. Speaker, rose at this time to assure the House that by supporting this Resolution I am not asking that we place the farmers in a special category, but rather that we are dealing with one specific problem.

Mr. W. Burgess (Qu'Appelle-Wolseley): — Mr. Speaker, I have read the Resolution over carefully and have listened to the speakers in the hope that I would find some reason why I might possibly vote for it, but I must say, Mr. Speaker, that I can't see either in the Resolution itself or the speeches that have been delivered in favor of it, any sound reason for supporting it.

Like the Member who has just sat down, I must say that in three out of the first four speakers devoted most of their attention to suggesting another form of tax instead of the income tax. I will admit that with the Member for Rosthern it might have been construed that his remarks dealt, at least, partly with a means of collecting the farmer's income tax and to that extent I would agree with him that it would be a matter of assistance to the farmer if like the worker he paid part of his income tax as he went along. If his payments were made at the time of selling the bulk of his commodities he had an exemption taken, the bill wouldn't seem quite so bad when it came due on the 30th of April or as mine did sometime on in May, because I had put it off even beyond the expiry of the days of grace. Then you found that you had your income tax to pay and money was all spent that you should have used to pay it with.

The fact remains, Mr. Speaker, that I still believe in spite of all the eloquent addresses that I have heard in this House that the income tax is the fairest form of taxation that has yet been devised by the Parliaments of Canada. I will have to admit that if it is a fair tax, the farmer has no more right to avoid it than any other group of society.

Now then Clause (a) suggests that provision be made for the farm family and their earnings to be exempted. That is already provided for, Mr. Speaker. Any farmer that wants to work his family and pay them wages can pay them wages and count it as an exemption from his income tax. Any farmer that has got the old-fashioned idea that his family ought to work for nothing and that the money must be his, he has got to pay income tax on it and very properly so. If a farmer wants his son to work for him and he provides in his bookkeeping to pay that son a wage he can exempt it. We don't need to ask that first clause. It is already provided for in the law.

Clause (b), provision for farm incomes on the basis of five

years; well, there is something there, they only give us three years. I am in favor of extending the period to five years. I wondered for a while if I could support the Resolution on the basis of that difference of three or five years. I am in favor of extending the period to a five-year average. I would like it to be extended over a lifetime, if possible. I would like to have my income extended over the lifetime so that I was guaranteed a decent income for my lifetime before I had to pay any income tax, but I will admit, Mr. Speaker, that there are some administrative difficulties in connection with that and if I were Minister of Finance or Provincial Treasurer, I would probably be aware of those administrative difficulties.

Clause (c) provides for breeding herds to be classed as a capital asset. They are, Mr. Speaker, classed as a capital asset. You don't have to pay anything on your breeding herds unless you sell them. As long as you keep them and breed them you won't have to pay any income tax on them. It is only when you sell them that you have to pay income tax and you can't eat your cake and have it too. You don't keep them as a breeding herd and sell them at one and the same time, that is provided for.

Clause (d), provision for farm payments on debts; well I would agree with the Member for Bengough that that should apply to anybody's debts as much as it does to farmer's debts. There is no more reason that a farmer should be permitted to do it than anybody else. I think perhaps that it is a fair enough idea. It is a part of Clause (b) of the averaging of your income over a period of years and if the averaging is done the debt part of it will be attended to at the same time.

Clause (e), the farm home. It has been suggested that the farm home and other buildings are part of the plot. Of course, they are and so is the store building the part of the merchant's plot. If we are going to let a farmer build a new barn and take it all out of one year's income, you should let a merchant build a new store, or a barber build a new barber shop. Anyway, I can't see any particular advantage in it because we are already permitted to charge depreciation on the capital and if you have charged it up to income you surely wouldn't then expect to turn around and charge it up to depreciation at the same time or the following year.

The farm house, of course, is part of the plant but it does seem to me that an ordinary working man might need a house in his business too, he might need a place to stay overnight to sleep in, he might have a family that needed to be housed and he might argue with a reasonable degree of reasonableness, that his home was part of the plant that he required in his business. Mr. Speaker, if there is one clause in that Resolution that I do agree with it is the last one.

We have a lot of talk about housing problems and I do think that if the people of the country, farmers and workers were that if the people of the country, farmers and workers were permitted to use a substantial part of their income to build themselves homes, free of income tax, it might do more to solve the housing problem than most of the Resolutions that we pass on housing in this and other Legislatures. I think that is perhaps the best clause in the whole Resolution, but it certainly isn't a good clause when it applies to the farming industry and it alone. I know, Mr. Speaker, that it would be good politics. I am not accusing the Members who have spoken of playing politics

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because they wouldn't do that. It would be good politics, of course, to capitalize on the popularity of income tax I know that. And if I had political ambition I suppose I would, too, but I am going to say this, Mr. Speaker, that I believe income tax is the fairest tax we have. It has to be applied to farmers and everybody else in order to keep it fair and for that reason I shall vote against the Resolution.

Mr. J. Benson (Last Mountain): — Mr. Speaker, first of all I am going to deal with this question of the income tax being the fairest tax. I agree with the Member for Qu'Appelle that the income tax is the fairest tax that we have and I suggested the production tax to be a means of collecting that income tax. I believe that it will be a better tax, make people more conscious, be easier collected and more generously accepted throughout the province.

Mr. Speaker, I do want to say in regard to the Member for Qu'Appelle-Wolseley, that while he agrees that the income tax is a fair tax, it is the fairest tax we have and I think that every Member in the House will agree with that. I also want to point out to him that he admits himself that he doesn't like to pay that tax and sometimes he doesn't send in his returns until May and therefore is penalized for refusing to comply with the law in respect to the income tax.

I just want to mention in regard to Clause (a) — "Provision for recognition and exemption on account of the work of the farmer's family which contributes to the farm income." Personally, I have had no experience in regard to that having no family that I could charge any expense against, but I want to say to you that I discussed this clause with an official of the Income Tax Branch in Regina about a week ago and that official told me that he had yet not received any instructions from Ottawa in regard to that particular clause. So I presume that if provision is made in some farmer's returns, then it is done by some official without any authority, because that is the information which I have. I haven't anything further to say on it and I believe the House will support this Resolution.

Motion agreed to.

ADJOURNED DEBATES

RESOLUTIONS

RESOLUTION RE—ROYAL COMMISSION ON LITTLE MANITOU LAKE

The Assembly resumed the adjourned debate on the proposed motion by Mr. J.A. Darling (Watrous):

That this Assembly, recognizing the need of a clinic or health centre in Saskatchewan for the treatment of arthritic and rheumatic ailments, and, in view of the pinions submitted to the Royal Commission on Little Manitou Lake as to the benefits to be derived from hydrotherapy at natural spas, recommends to the consideration of the Government:

- (1) Earliest application practicable of the recommendations of the Royal Commission, particularly as to the restoration of the water level of the lake;
- (2) The establishment, in conjunction with the Federal

Government, of such a clinic at Manitou Beach.

Mr. J. Benson (Last Mountain): — Mr. Speaker, I want to deal with this Resolution briefly from the point of view of a health resort and as a summer resort.

According to the report of the Commission that investigated the conditions of the lake at Watrous, it appears that there is some value in regard to the waters of that lake for curing of certain diseases as was mentioned by the Member for Watrous and also by the Premier, when the Resolution was discussed. So, I am not going to have any more to say about that.

In regard to Little Manitou Lake as a summer resort, I want to say, Sir, that whenever I visit that lake, I find that the beach there, is not in very good condition generally and I think that improvements could be made in regard to making that beach of Lake Manitou much more attractive to the public. There is a large number of people flock to Watrous during weekends and I believe the chief attraction there is because of the swimming. People can swim in that water who are unable to swim in any other water and so derive a great deal of pleasure and enjoyment from bathing in the waters of Lake Manitou. At the present time the water level is very low and I believe that with the spring runoff, the water in the lake will rise considerably. It has been suggested that Lanigan Creek according to the report submitted, the Lanigan Creek could be diverted to pour its waters into Lake Manitou and in that way the waters of the lake would be increased to a certain extent.

I might tell you that on one occasion a group of people were discussing relative benefits of increasing the depth of the water in Long Lake and they referred to the fact that Mr. Diefenbaker had gone to considerable trouble in advocating that the waters of Long Lake should be raised and was trying to work up enough public support to have the Dominion Government and the Provincial Government try to bring that about. This little group that was discussing Mr. Diefenbaker's remarks on one occasion, one of the members of the group, said that Mr. Diefenbaker wants to raise the water in Long Lake. Someone said that the Provincial Government should supply the lake with fish. I pointed out that I had had some of the roads to Long Lake gravelled so that the people in that community would be able to now travel over those gravelled roads to catch the Government's fish in Mr. Diefenbaker's Long Lake. The Minister, who was present said that you didn't need any water in the lake or any gravel on the road, that both Diefenbaker and yourself caught a lot of fish in the last election.

I would suggest that in order to improve the facilities at Manitou Beach that the grounds could be considerably improved to make it far more attractive. I am not going to suggest though that the waters from Lanigan Creek should be diverted into Little Manitou Lake because I think it is more important that the waters from that creek should run into Long Lake. I think Long Lake is far more important a lake to the people of the Province of Saskatchewan than is Manitou Lake. But something might be done in regard to the roads and they were mentioned too in this Report. The roads might be improved from Guernsey down to the lake; also might be improved from Drake across to the lake and also from Nokomis over to Watrous. I want to say that I have pleasure in supporting the motion of my friend, the Member for Watrous.

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Mr. W.S. Thair (Lumsden): — Mr. Speaker, I would like to say a few words regarding Long Lake and Manitou Lake. There are a number of health resorts in my constituency and village, Regina Beach, Lumsden Beach and Keddleston Beach, all within my constituency. I might say that the future developments of Manitou Lake as a health clinic and I am interested in that, and a summer resort depends primarily on raising and maintaining the water level of that lake. In moving this Resolution, Mr. Darling said that the PFRA officials had assured him that the levels of both Manitou Lake as well as Long Lake could be restored. In the same debate Premier Douglas recently said, speaking of Manitou Lake, that the Government would proceed to investigate the water level and if it could be maintained the necessary steps would be taken to examine the whole field of hydrotherapy. He further said that a centre for the treatment of arthritis, rheumatism and poliomyelitis was much needed on the Prairies. I feel, personally, that if the water level can be maintained that this is the place needed. I beg your pardon, that was the words of Premier Douglas that I am quoting. As pointed out in a former debate, Mr. Speaker, by Mr. Darling, the Hon. Member for Watrous, the height of the water level of Manitou Lake can be greatly assisted by a diversion of Lanigan Creek which now flows into Long Lake, into Manitou Lake.

As Manitou Lake is only 10 or 12 miles long, engineers believe that with this heavy runoff this spring, because of the heavy dept of snow and along perhaps in another year with a diversion from the flow of Lanigan Creek, that Manitou Lake could be restored to its former high levels. I might say, Mr. Speaker, that this diversion of Lanigan Creek to Manitou Lake might reduce Long Lake to still further low levels.

This diversion and the present low level of Long Lake brings me to one of the most important problems and that is restoring the former high water level or normal water level of Long Lake, with which I propose to deal because its within my constituency. I might say that practically any group of engineers of any experience or training or any practical farmer, I might say for that matter from the so-called irrigation districts of Alberta or United States, are agreed that plans for pumpage and for raising these water levels are quite feasible and practical. Mr. Speaker, I understand, and I want to be rather brief about this matter, that the average flow of the Qu'Appelle River at the town of Lumsden, from 1911 to 1931, a period of 20 years, is twenty-one hundred and twenty cubic feet per second.

It has been suggested that if the Qu'Appelle River could be restored to a good percentage of its normal flow of that 20-year period of water from another shed, the water levels of the whole system could be maintained at normal levels. The water of the Qu'Appelle River might first be increased by diverting Aitkow Creek, which at the present time runs in the South Saskatchewan River, which I firmly believe might even be 10 or 15 years before it would be completed. It would be possible to pump from the South Saskatchewan River into the diverted Aitkow Creek and then down the Qu'Appelle River and go back up into Long Lake. This just isn't a dream, this is the opinion of competent engineers.

The present information is that a cut through the summit or the height of land would not be very difficult and the pumping head could be reduced to not more than 55 or 60 feet. This pumping might be done by a number of standard pumping units of reasonable size, which later on might be for resale if not in use when the dam is put in; or transferable. Ten cubic feet per second could be pumped by a 12-inch standard unit equipped with a 100 horsepower motor; about 36,000 cubic feet per hour; and this assembly is quite available in the regular market for about \$5,000. The cost of operating this unit continuously for six months at the rate paid by the city of Moose Jaw for power at Riverhurst, would be approximately \$2,000 for a six-month period. I might say that one field engineer who has had considerable knowledge along this line has suggested that a group of five of these units should be the initial installation and might be all that might ever be required. They would deliver some 18,000 acre feet of water down the Qu'Appelle River in the six months which constant flow added to the normal runoff – and this year it will be an extraordinary runoff – would have a beneficial effect. If necessary, as the scheme progresses other units could be added.

With regard to pumping the waters from the South Saskatchewan River, I would just like to say here, Mr. Speaker, that this is a very common practice in irrigation schemes in Alberta. A score of farmers are pumping the water in these irrigation schemes and raising the water from 50 to 90 feet for irrigation and other purposes. I might say that the Burnside Farm in Alberta has been pumping water for years, they are a distance of 75 feet, raising water 75 feet.

A channel or canal must be made in the South Saskatchewan River to the height of land, which I believe would be about some 12 miles. I am given to understand, nothing official, but I am given to understand that the cost of this channel would be paid for by the PFRA under the Federal Government. In any case, such a channel might be needed if the dam were to be built at some future time by the Federal Government.

As I said before, Mr. Speaker, my own opinion which perhaps isn't worth much as a farmer, but I am offering it anyway, and the opinion of many others is that the constituency of the proposed dam on the South Saskatchewan River will not likely be built for many years. By that time maybe 10 or 15 years, Saskatchewan Beach, Lumsden Beach, Regina Beach, Keddleston Beach and the beaches on the other side of the lake would be ghost towns or villages. I am just through, Mr. Speaker. This has all to do with the diversion of the Lanigan Creek that now runs into Long Lake and now runs into Manitou Lake. I might say there are some 1,200 cottages at all these various resorts. It is also true that the water level of Long Lake wasn't so high in 1927. The Federal Department of Public Works paid damage to the extent of \$130,000.

Just in closing, Mr. Speaker, I would like to say there is one group of residents, I understand in some of these towns and villages, that has stated that they could raise by a water levy a sum of some \$25,000 per year for the operation of this system, to raise the water level at Long Lake. This would pay for the energy rate for 12 units specifically to completely restore the flow of the Qu'Appelle River which would raise and maintain Long Lake to a high water level. A low levy or a further levy might be made on property holders to the extent of \$10 per year and

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in the meantime the Manitou Lake would be raised by the diversion of Lanigan Creek that now runs into Long Lake.

In closing I might say that it appears obvious that the completion of this proposal would be on a basis of complete co-operation of all the water development agencies both federal and provincial governments; and the people of Regina City and Moose Jaw City and all the other towns and villages in this dried up area in the summertime, would benefit greatly. I believe the Water Rights Department of this Provincial Government, the Natural Resources Department are in accord with the PFRA in co-operating in this particular policy of raising the water levels of Long Lake and Lake Manitou. I would urge the Provincial Government, Mr. Speaker, to immediately investigate the possibility of this scheme which I believe is perfectly sound and that action might be taken at the very earliest possible date in order that the water level of Long Lake, as well as Manitou Lake, might be raised to a high level.

Mr. Speaker, I shall support this Resolution.

Motion agreed to.

RESOLUTION RE DISTRIBUTION TO MUNICIPALITIES OF MONEYS IN RESERVE ACCOUNT

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Patterson (Leader of the Opposition):

That, in the opinion of this Legislature, the Government of Saskatchewan should give early consideration to determining and putting into operation a plan for the equitable distribution to the Municipalities of Saskatchewan of the \$1,260,192.27 now held in a Reserve Account to provide for an adjustment of public revenues to equalize the levies made following the reassessment of Rural Municipalities commenced in 1938.

Mr. J.S. Aitken (Hanley): — Mr. Speaker, I wish to speak to this Resolution moved by the Hon. Leader of the Opposition, a resolution asking this Government to give consideration to determining and putting into operation a plan for the equitable distribution to the municipalities the sum of \$1,260,192.27 or thereabouts. It would equalize the levies made following the reassessment of rural municipalities.

The Hon. Leader of the Opposition, in speaking to the Resolution gave a very clear and concise history of this reassessment, all that it meant and the difficulties caused by it, even considering the possibility of reassessing the whole province at once. He gave a very clear outline of the problem but to me it seems that it is only a small part of a larger problem and the problem that isn't at all simple and which I don't think can ever be solved. That problem is the result of the unplanned and reckless disposal of the settlement of the lands of this province. We know now that serious mistakes were made by the governments of that day. In the early days we put tracts of land for settlement, which never should have come under the plow and in late years other mistakes have been made. The PFRA has done a great deal to remedy those mistakes, but that makes no compensation to the victims of that time.

You have to take good land with poor land; it is distributed all over the province except probably in this southern area where you have the Regina Plains, an area of all good land. But I know in my own municipality there is some land that is as good as any in the province and other poor land that is being farmed, it is only possible for those who are farming it to make a bare living. But some sort of a valuation or assessment had to be placed on that land when the rural municipalities were set up. We were all optimistic in those days and none of us like to be told that the land we had homesteaded or bought wasn't worth half the price we thought it was and even if we did know that it wasn't worth the assessed value, we didn't want the assessment changed because somebody was likely to come along and make us an offer for it someday and the higher the assessment was, well the better chance there was of selling it at what we thought we could get and so things drifted along. But that whole situation meant this, that these farmers who had been unfortunate enough to select the poorer land were paying a disproportionate share of their taxes, a share of their taxes altogether out of proportion to what the land was worth and it wasn't until we got the new assessment that we got a real scientific basis, a real valuation of agricultural land.

I am not blaming the old Assessment Commission because as the Leader of the Opposition stated, they had a very capable man in charge of that, Murdo Cameron. I, too, was a friend of Murdo Cameron's. Murdo Cameron before coming to Canada, was a civil servant and held a responsible position with the civil service of Great Britain and I am sure that while I don't know anything about his work, I am sure he would bring to the work of the Assessment Commission, the experience and knowledge which he had gained in the British civil service. But all of us knew that when a reassessment came there would be drastic changes. I was on the council of my local municipality at that time and as near as I can recollect the whole assessment of the municipality was reduced by about a third, but then in individual cases the assessment was cut sometimes one-half and sometimes as much as one-third. As we read up the figures from the assessor, I had visions of many of these farmers from the poorer land, coming to the council and saying: "Now look at all these taxes we have paid in all these last years, which we shouldn't have paid if we had had a proper assessment." But strange to say I don't remember a single one coming to our council and asking for a readjustment of their taxes. But I still think they were entitled to and if there was any equitable way of distributing this amount back to those unfortunate farmers, who had paid a disproportionate share of their taxes in all the various municipalities of this province I would be in favor of it.

I do think, however, that some arrangement should be considered whereby the larger portion of this amount would be distributed to those rural municipalities which have the larger proportion of sub-marginal lands. I know one or two municipalities in my own constituency who I feel sure should have a share in this fund and others, I think, have no claim at all. I don't know just what to do with it, but I am prepared to leave the matter with this Government and I am sure they will make a fair and equitable distribution of the fund.

Mr. Brockelbank: — Mr. Speaker, I move leave to adjourn the debate.

Debate adjourned.

The Assembly adjourned at 11:00 o'clock p.m.