

Canada which is currently exempt from Income and Excess Profits taxes under the exemptions set out in those statutes, to make estimates of the amount of tax revenues lost to the Dominion in 1944 by reason of those exemptions, and to submit those estimates to your Committee with such comments as I feel to be justified by that study.

This is that report. It does not deal with all tax-exempt organizations, but is confined to those whose primary functions are business activities—the Canadian National and its subsidiaries, the liquor control boards, electric power, telephone and street railway ventures owned by provinces or municipalities, and the great trading co-operatives. These are all of them business activities, not specifically governmental activities; but under the law as it now reads they are all of them exempt from the income taxes to which other trading ventures, some of them competitors, are subject.

It leaves entirely to one side all charitable and non-profit organizations, some of which enjoy substantial investment incomes.

Within the narrower range that is left, no attempt is made at an approximation to the amount of the exemptions received by tax-exempt organizations on the basis of the aggregate sales volume of all such in a particular field, or otherwise. No organization's income is included in Table 1 below unless a full set of its annual published reports for the relevant years, (normally 1936-39 and 1944) was available.

This rigid limitation explains why no estimate appears herein for the income of co-operative merchandising corporations. Scattered reports are available for some of them for certain years, but it did not prove possible to get full and detailed reports for any one of them for the whole period. Therefore none is included herein, even though the recently published *Report of the Royal Commission on Co-Operatives* shows that they have an aggregate sales volume in the order of \$260,000,000, excluding grains and seeds, presently escaping taxation.

In justification of that \$260,000,000, the value of commodities marketed by co-operative organizations in Canada in 1944 was \$459,537,000. In addition there were merchandise and supplies purchased by co-operative organizations to a total of \$65,509,000. These give a total of \$526,046,000. I managed to cover the three western pools in Table 1. Therefore I deduct all grains and seeds marketed, \$264,201,000, leaving a balance which I do not cover of \$260,845,000. This may seem regrettable, but it was judged better to produce a total which was clearly an underestimate, both because each of its components was almost certainly an under-estimate of the true tax liability of that organization, and because many organizations, and even whole groups of such organizations, are excluded, than to aim at an inclusive estimate some of whose parts would be weak.

A further reason for the shortness of the list of organizations covered is that some tax-exempt organizations provide reports which are in the highest degree voluminous, but which do not provide a full statement of their income. The Hydro-Electric Power Commission of Ontario, for example, has issued a report of 370 or more pages in each of the years 1939-44. It provides the fullest of information upon many aspects of its own and of its member municipalities' activities; but it does not give a full statement of its income. It shows the financial results of its electric operations only and refuses to divulge the amount of its investment income, which is very substantial. For that reason it could not be included in the main estimate. Certain details upon it, together with copies of the correspondence in which that refusal to give an income statement is made, are given in Appendix I.

Net income as reported by the organizations in question is normally taken as the taxable profit or gain, and adjustment is made to that figure