Mr. HANNAN: Mr. W. J. Parker, from Winnipeg, is the First Vice President of the Canadian Federation of Agriculture. He is President of the Manitoba Pool Elevators.

Mr. J. A. Marion, from Montreal, is President of L'Union Catholique des Cultivateurs, which is the big farmers' organization in Quebec.

(The following brief was read by Mr. Hannam):

The delegates at the last annual meeting of the Canadian Federation of Agriculture were quite unanimous in instructing us to urge the government to re-open the whole question of the farmer's income tax for general review, for the purpose of determining the fairest possible basis for the operation of the act, in its relation to agriculture and of amending the act accordingly.

It is our considered opinion that the present Income Tax Act is inadequate and inequitable in its application to farmers, because it seems to have been designed for application to general business operations, and as such, does not take cognizance of the entirely different nature of farm operations.

During the past few years officials of the income tax department have been very ready to discuss our problems with us, and have been open-minded in considering suggested changes in the regulations, but naturally they were restricted by the fact that some of our major recommendations involved amendments to the act.

The following is a summarized statement of the major recommendations which we believe it is correct to say, have practically the unanimous support of farm people across the dominion;

1. *Averaging Income Over a Period of Years:*

That the income of farmers for income tax purposes be averaged over a period of (four) years. Due to the fact that prices of agricultural products fluctuate more widely and more rapidly than prices of other products, and that climatic conditions over which the farmer has no control is often responsible for great variations in farm returns, we claim that one year is too short an accounting period to be used as a base for assessing farm income tax. Emergency conditions such as drought, excessive rainfall, early frost, etc., may completely ruin a farmer's crop, or in the case of live stock, compel him to liquidate his herd at sacrifice prices. Then, on the other hand, when all production factors are favourable and market prices are good, substantial profits may be earned which need to be used to build up reserves to carry through the bad years that follow. In this case, unless the farmer has a previous loss which he is allowed to carry forward, he is taxed heavily because his income may lift him into a high taxation bracket.

One point we desire to emphasize particularly, is that the farmer who has an average taxable income of a certain figure over a period of years—with considerable variation in the taxable income from year to year—is required to pay a substantially higher total tax over the period of years, than would a man with a fixed annual taxable income of the same figure during the same period of years. This is perhaps the most inequitable feature of the one-year accounting period for assessing farm income tax.

One major objection which always arises in connection with the suggestion for averaging farm income over a period of years, is that in any year in which a farmer suffers a serious loss, he is likely to be unable to pay that year's share of the averaged tax over a period of years. While this may appear a very legitimate objection, we believe that it would be possible to work out tax payments on a movable average basis which would overcome this particular difficulty.