

Mr. Korchinski: What the minister does not realize is that according to these tax tables he is making it harder for those who are struggling, those who are setting up business and reaching the point where it may be a paying proposition. At that juncture, the minister jumps in and apparently imposes a heavier tax. If he believes that the scattering of estates is conducive to the economic improvement of the country then perhaps he should continue in this course.

Last night the hon. member for Oshawa-Whitby (Mr. Broadbent) suggested that the estate tax should be 100 per cent, except in cases involving spouses. To me that spells communism.

Although \$100,000 sounds like a lot of money, it is only the paper value of many estates. Owning property is no assurance of a better life. In fact it can be a lot rougher and less rewarding than working for a wage. This is the case with many farmers. Most farms are essentially a father and son enterprise passed on from generation to generation. A farmer's assets are all tied up in one parcel.

It does not take much of a farm these days to be worth \$100,000, but many farms worth that do not earn enough for the farmer to pay income tax. This is indicative of the type of money made on an operation of that size. It is indicative of the type of poverty that exists, despite a book value of that size.

We have spent considerable time in parliament passing legislation to set up economic farm units. This session we passed an amendment to the Farm Credit Act, making it possible to advance loans up to \$100,000. Amendments to the Farm Machinery Syndicates Act, to provide \$45,000 loans, are presently before the standing committee. In the ten years since it was established, the Farm Credit Corporation has been authorized to make loans of \$27,500; this ceiling was later increased to \$55,000, and only this year increased again to \$100,000. These high book values are caused by inflation, by rising costs of machinery and higher taxes. If a farmer is to continue to have an economic unit he must stay with the game; in other words, he must continue to borrow.

On paper the value of a farm looks like a fantastic amount of money. The hon. member for Coast Chilcotin (Mr. St.-Pierre) last night showed that he understands the problem very well, when he quoted figures to show the type of investment that in some cases gives a return of less than 1 per cent on capital. This is what is really happening in the farming industry.

Income Tax Act and Estate Tax Act

The Saskatchewan Association of Rural Municipalities sent a letter to the Minister of Finance (Mr. Benson) in which they said the following:

Because of high land values and large land holdings which successful farming operations require, farm estates attract high estate taxes but have no liquid assets readily available to pay them. We cannot see how our national well being could be served by the breaking up of production units to pay estate taxes.

An editorial in the *Western Producer* of February 13 contained the following:

—thousands of farmers nearing retirement have sizeable estates when their value is based on inflated prices of land, which may have doubled in the past ten years. But while the book value of the farm has increased, its earning power has actually diminished, to the point that returns are completely out of proportion to the book value of the land. The situation has been aggravated by rising costs of production and shrinking or static prices for farm products.

The problem then, is one of acute shortage of cash. On the books, the farmer appears to be a wealthy man, in terms of what he owns; but in actual fact he may be living close to the poverty line.

Frozen assets don't pay debts, nor will they provide for the ready cash needs that arise when an estate passes from one generation to the next—such as estate tax.

The *Manitoba Co-operator* had a very interesting article which read in part:

● (9:50 p.m.)

It has been calculated by one source that a section farm in Manitoba with a modest machinery and livestock inventory would be subject to about \$26,700 taxes on inheritance. Now tell us where a son inheriting such an estate, and intending to remain in farming, is going to get that amount to pay off the government.

In most cases he will be faced with selling off some of the land—probably resulting in an uneconomic unit—or borrowing at the current exorbitant interest rates and trying to survive in an industry that is already sorely beset by problems.

Despite the protestations of the hon. member for Provencher (Mr. Smerchanski) I think that pretty well illustrates that the farming community has an understanding of the situation. I believe it is unfair that this type of industry which is so depressed should be treated in a manner which would seem to indicate that the bureaucracy here in Ottawa believes there is money to be made. What are we creating by this attitude? What are we doing to all the communities that are struggling for survival? What will happen to all these little service stations and garages? A garage owner does not have to have very much to reach the figure of \$50,000. There might be a few automobile parts, a building and a lot of junk outside in the yard.