

We recommend that the maximum payment be at least equivalent to six annual contributions at the maximum rate of \$2,500 which amounts to \$15,000.

Nous recommandons un paiement maximal équivalant à six contributions annuelles de \$2,500, c'est-à-dire un paiement de \$15,000.

TABLE 1

EFFECT OF PROPOSED TAX CHANGES ON TAXABLE FARMERS IN ALBERTA
EMPLOYING PRESENT AND PROPOSED TAX RATES BASED ON THE 1967 DISTRIBUTION
OF AVERAGE FARM INCOMES¹

Average Income Class	Number of Tax-payers	Taxable Income		Tax Payable		Average Tax Rate		Total Tax Payable	
		1967 Average	Proposed ² Average	Present Rates	Proposed Rates	Present	Proposed	Present	Proposed
\$		\$	\$	\$	\$	%	%	\$'000	\$'000
1,440	2,716	320	—	47		14.8	—	127	—
2,560	4,380	720	200	107	44	14.9	21.8	469	192
3,500	4,985	1,200	690	190	153	15.8	22.2	946	760
4,500	4,107	1,850	1,380	320	316	17.3	22.9	1,314	1,300
5,500	3,115	2,800	2,480	539	604	19.2	24.4	1,595	1,870
6,500	2,250	3,760	3,690	781	936	20.8	25.4	1,756	2,120
7,500	1,811	4,600	4,780	1,003	1,264	21.8	26.4	1,816	2,290
8,500	1,220	5,500	5,900	1,244	1,631	22.6	27.6	1,520	1,990
9,500	1,015	6,500	7,170	1,559	2,058	24.0	28.6	1,530	2,080
12,000	2,402	8,800	10,130	2,199	3,122	25.0	31.0	5,280	7,500
17,000	677	13,600	16,280	3,950	5,620	29.1	34.5	2,670	3,800
22,000	285	18,300	22,300	6,056	8,390	33.0	37.6	1,420	1,970
34,000	179	28,800	35,700	11,117	15,177	38.6	42.5	1,990	2,710
	29,092							22,483	28,582

¹This table contains the average increase or decrease in income tax for taxable farmers in each class. These are only averages for each classification so that there will be taxpayers in each class with larger or smaller changes than the average. For example, the first class of 2716 taxable (individual) farmers will be removed from the tax roll on the average. But in reality we know there will still be some taxpayers above average who, individually, would still be taxable. Likewise, many married taxpayers earning between \$2,560 will be removed from the tax roll because they are below average.

²The proposed taxable income allows for the increase in exemptions, recaptured depreciation and capital gains. While it is true that recaptured depreciation and capital gains will not be taxed right away, they are liabilities that will accumulate in due time. The additional exemption varies from \$400 to \$760 with the total deduction varying from \$1,520 to \$5,975, of which 95 per cent was for exemptions. The recaptured depreciation was estimated to be three per cent of net income while capital gains were estimated to be 24 per cent of net income less \$1,150 allowance for capital gains. The 24 per cent was derived by statistical data which indicates that net income is about one-eighth of the value of investment in farm land alone (excluding improvements and buildings). It was assumed that land values could rise at the rate of three per cent annually in spite of the fact that land prices have risen at the compound rate of seven per cent during the last 30 years (10.6 per cent during the last 10 years). Land investment being eight times net income and a three per cent annual increase in value resulted in a factor of 24 per cent of net income.