Income Tax

Let us examine the plight in which these farmers are placed. This is the way in which the capital gains tax really hurts: December 31, 1971, was V day—valuation day. The increase in the value of the land since that day is the amount upon which capital gains tax is based. It is half that amount. Let us remember that since 1971 inflation has been running rampant. This has been said so many times in the House it scarcely needs repeating now. Coupled with the inflation we have, in this industrial area I speak of there is great competition for land for the purpose of building houses, and speculators have driven up the price. This is not the fault of the farmer as it is beyond his control, but as a result he is faced with an exorbitant capital gains tax.

● (2010)

Mrs. Mary Field, whose husband farms in the rural route four area of Simcoe, Ontario, makes a comparison of values of land with which she is familiar. In 1971 the farm was worth $500 an acre, but today it is worth $1,250 per acre. On a 100-acre farm this means a capital gain of $75,000, and the tax on that gain, added to the personal income tax already being paid, represents an exorbitant tax on these people. What is left for the person who wants to retire and buy himself a small home, or to create an estate on which he can live comfortably for the rest of his life?

The farm itself more often than not represents the farmer's lump sum pension. The only other pension available to him is the Canada Pension Plan, and that is not much for someone who has to live on it for the rest of his life. As I say, the sale of a family farm represents the lump sum pension for most farmers. Everything these farmers earn is ploughed back into the land in an attempt to improve it, to make the farm easier to operate, hopefully to provide a larger income.

All this reminds me of the story of three farmers who were going to fall heir to $500,000. One said he was going to buy a yacht and cruise the world. The second said he would like an airplane and he was going to buy one, while the third man said he would just keep on farming until it was all gone. This is an example of what happens to many people who spend their working lives farming. The farm represents their entire retirement pension scheme. Surely the government is not going to tax this money, taking it away from these men who have worked hard for years in order to have something put aside for their retirement years. It is patently unfair to see the fruits of one's labour siphoned off by this iniquitous tax.

Let us look at the second alternative. Supposing a man wanted to purchase another farm, I suggest the capital gains tax would be such that there would not be enough left for him to pay the down payment. His total net value would be very little, most of his money having been used up in the way I have described. There would just not be sufficient funds left to buy a new farm. The man may have sold his farm at an inflated price, but he must also purchase at the same or an even higher inflated price. If we tax away part of the proceeds then we can see the position in which the farmer finds himself.

In addition to the letter to which I referred from Mrs. Mary Field I also received a letter from a very successful farmer in the area, a Mr. Joe Bernard, and I should like to quote a few paragraphs to illustrate the point I am making here. Mr. Bernard states in his letter:

> I have no quarrel with capital gains tax on any profits on property sold, but it does not make sense to sell our farms and have to pay capital gains tax on the difference between the '71 valuation day freeze value of the property and the present inflated selling price.
>
> Farm land prices have almost doubled since 1971 and it is impossible to replace the same type of farm in most districts after having paid the capital gains tax.

He cites an example of exactly how this works out, but I do not think I need quote it. In other words, he is faced with the same situation as the person who wishes to retire. The capital gains tax makes it impossible for him to retire on either one of these schemes.

I have literally hundreds of petitions in a file in my office that have been sent to me by persons who feel the way I have described about the capital gains tax and its effect on the family farm. Perhaps one of the best ways of drawing attention to these would be to send them across to the Minister of Finance so he could have a look at them. I have been looking at these petitions for the last month or two since I have been receiving them. Let me quote briefly from one which states:

> By present values, a farmer cannot relocate his business on a V-day basis, and with rapid inflation the dollar is not even comparable to V-day dollar value. This is without taking into consideration the expense and losses incurred in relocating.

The petition states toward the end:

> Traditionally a farmer has his only hope for retirement invested in his property.
>
> We, the undersigned, strongly feel capital gains tax on home farms should be exempt for bona fide farmers, retroactive to December 31, 1971.

The Ontario Federation of Agriculture is in complete agreement with the views I have just expressed, and so also are the local county federations of agriculture, that is, the Haldimand and Norfolk county federations. They are sympathetic to the plight in which these people find themselves.

I would ask the Minister of Finance to seize this opportunity to amend the act to remove these inequities. He should remove the capital gains tax for once-in-a-lifetime sales of family farms, and perhaps should also include in that exemption the incorporated family farm. Surely that is a reasonable suggestion.

If that is not considered reasonable, let us at least use an indexing system to take care of the inflationary factor which has pushed farm values entirely out of sight, to the point that they bear no relationship whatsoever to their income potentials.

These farmers for whom I speak are deadly serious, and look to the minister to be reasonable, and to give them some hope for financial survival. Let us make it possible for free enterprise to yield a just reward for those who have worked hard all their lives. Let us not see them penalized at the end.

Mr. Leonard C. Jones (Moncton): Mr. Speaker, my remarks will be very brief. The amendments to the Income Tax Act proposed in Bill C-49 are alleged to be of some benefit to some. On the other hand, because of inflation, the fact of the matter is that the government will, in the