

The case to which the member has referred decided that they had to be valued as if they could not be collected until the so-called due date. This clause simply proposes that this sort of security will be valued as if it was due at the date of death, thus eliminating only the long term.

Mr. CRESTOHL: Will Mr. Linton explain? Suppose there is what might be generally considered as a bad debt which is outstanding at the time of death, but which was one of those debts in which there was blood relationship to the deceased, but which nevertheless was a bad debt.

He does not want to pay it or cannot pay it. Does that mean that the debt too would be assessed and determined as taxable?

Mr. LINTON: Only on the value which it had at the date of death. If it is a bad debt at the date of death, it has no value and would be worth nothing. Thus it will be valued as due at the date of death and not in the year, for example, 2000 A.D.

Mr. CRESTOHL: It is a debt, but you do not speak of bad debts here. A bad debt is one where a person is able to pay but just does not want to pay.

Assuming that a blood relation owes \$5,000 to the deceased, and has owed it for ten years, but the creditor does not want to sue him or to press him. The debtor just does not want to pay.

Mr. LINTON: Is the debt in question a long term one, or is it something just owing today? This would do nothing for the latter.

Mr. CRESTOHL: It would not be taxable under those circumstances.

Mr. LINTON: Not if it is not collectable.

Mr. CRESTOHL: It is just an accelerated rate of maturity.

Mr. LINTON: That is right.

Mr. CRESTOHL: And the date of maturity is the date of death.

Mr. LINTON: That is right.

Mr. BENEDICKSON: Would this not depend on whether or not the debt carries some interest liability to credit to the estate?

Mr. LINTON: If it is an interest bearing liability it would probably not be depreciated anyway by the term, because if it was a reasonable interest rate, the term would not be a discounting factor.

The CHAIRMAN: Does clause 29 carry?

Clause agreed to.

Clause 30.

Mr. CRESTOHL: Oh, Mr. Chairman, I have one more question on clause 29. Am I right in concluding that a debt which is past due is not affected by this?

Mr. LINTON: That is right.

Mr. CRESTOHL: It only concerns a debt which has not yet matured?

Mr. LINTON: That is right; that is the only place it would have any operation.

The CHAIRMAN: Does clause 30 carry?

Clause agreed to.

Clause 31.

Mr. CRESTOHL: Mr. Chairman, I would like to have an explanation about clause 30. Would Mr. Linton explain clause 30 especially in reference to a wife and to what extent can she use this fund for her own purposes, and when does it revert back into the estate?