

*Dominion—Provincial Relations*

of the significance of the 13-9-50 formula, you indicated to the House of Commons that Manitoba would have received \$35,755,000 by way of tax rental and equalization payments in 1957-58 based on the tax collections of, and other data relating to, 1957. However, as is well known, these tax-sharing arrangements and the returns to the provinces therefrom are based primarily on the tax collections of the current year and therefore, for the year beginning April 1, 1958, which is our immediate problem, our returns would be based on the collections experienced by your Department of National Revenue in 1958, not 1957. We are therefore, most anxious to have from you some forecast of the receipts that Manitoba may expect in the fiscal year beginning April 1, 1958, and ending March 31, 1959.

About this time every year since the tax rental arrangements came into effect, the federal government has made available to the provinces estimates of their probable payments under these programs for the fiscal year about to begin. In some cases, this information has become available with the publication of the federal estimates of expenditure for the coming fiscal year then being presented to the house in Ottawa. In other cases, by direct communication very early in the year, we have secured from Canada reasonably firm estimates of the amounts involved. We recognize that these estimates must have been largely based on forecasts and projections, but nevertheless have found them most essential to us in our planning. Therefore, even if full forecasts should not be available to you at this time, in view of the widespread belief that corporate profits are likely to fall substantially in 1958 and the fact that they have already fallen in the last several months of 1957, we would greatly appreciate your advice as to what kind of downward revisions, if any, we should be making in our forecasts of the returns to our province from this most important revenue field. Our calculations, for example, show that if corporate profits were to drop by as much as 20 per cent, and if as a result the standard

tax yields in this field were to drop by a similar percentage, the 13-9-50 formula would yield not \$35,755,000 but \$32,250,000. In other words, instead of getting more during 1958 than we are getting in the year just closing, we could, under these circumstances, get as little as this year's amount or even less. A drop in personal income could also cause a drop in personal income tax collections and a drop in tax-sharing payments to provinces.

It would be most helpful to us in our planning for next year if you would please advise us as to the following:

(1) In your opinion, in the light of existing circumstances, should we, for the 1958-59 fiscal year just ahead, reasonably budget for the full amount of \$35,755,000 indicated by you as being our revenue from the tax-sharing arrangements under the 13-9-50 formula?

(2) If, in your opinion, Manitoba is likely to receive in 1958-59 less than \$35,755,000, what is the amount that should be expected? would it be 5 per cent less than the \$35,755,000—10 per cent less—15 per cent less—what would be your estimate?

(3) How does the 13-9-50 formula affect the minimum payments under the tax arrangements? We are not clear as to how this new formula will apply in respect of these minima. As you know, prior to the January revision, one of the guaranteed minima available to the province for 1958-59 was an amount equal to 95 per cent of our 10-9-50 tax arrangement receipts in 1957-58. In view of the change from 10-9-50 to 13-9-50 will this 1958-59 minimum now become 95 per cent of the tax arrangement receipts the province would have received in 1957-58 if the 13-9-50 formula had been in effect? In this case, it would appear that we could expect revenues of not less than \$33,967,250 in the coming year. Will you please advise whether it is correct for us to assume that this \$33,967,250 is to be our guaranteed minimum for the 1958-59 fiscal year or, if not, what in your opinion the proper figure would be?

Yours very truly,

Chas. E. Greenlay,  
Provincial Treasurer.