Income Tax

members of immediate families I can see no reason why the government should not treat this in the same manner it treats a family farm held by the head of the family, usually the father. However, up until this date the government has refused to give closely held family farm corporations this privilege. This is one of the hardships about which I am talking.

Another thing which should be pointed out is that the government does not seem to recognize that, as they go through life, farmers invest their profits and incomes from their farms back into their farms to improve buildings, to buy equipment, to buy more land and so forth. We sometimes say they plow back their earnings into the farm business. The same applies to the small businessman. He just does not have money or cannot raise money for major capital expenditures. The only way he can do this is to put his profits back into the business year after year. At the end of his years of operation, a farmer or small businessman sells his farm or business and hopes that this will be his retirement income or his pension.

A farmer or small businessman cannot keep his farm or business in a form that is saleable unless he keeps it up to date and puts to work the expenditures of which I spoke. When he does sell and hopes to have a retirement pension, what happens? The government steps in and takes a big slice by way of capital gains tax. By the time he buys a home in a town or village where he intends to retire, he has nothing left with which to earn a decent pension or upon which to retire and live out a decent life in his twilight years.

I think the matter was put pretty well in a letter I received from Mrs. Don Petheram of R.R. 5, Waterford, Ontario, which reads in part as follows:

> Most farmers and their wives work hard to pay off mortgages and to keep the farm going. A farmer doesn't have any retirement plan like other workers, whatever money he has left over after all expenses are met is put back into the farm to keep the business going.
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> When the farmer sells his farm and retires it takes a good portion of the farm sale money to relocate and either build or buy a ready built house. The remainder of the money has to be put aside to keep the farmer until his death. By the time the government takes the large portion in capital gains tax it is demanding, what has the farmer left to retire on?

I have spoken about this in previous speeches here in the House of Commons and to various ministers of finance, and the answer I got from the ministers or their parliamentary secretaries was that the farmer has the same privilege as any other citizen of registering under a registered retirement savings plan. But he does not have that kind of money. As I pointed out before, he uses all his profits to re-invest and to keep his farm a viable operation. What I have said applies not only to farms but also to small businesses.

There is another unfair aspect of the capital gains tax, and that is the unfair and unjust way it is applied. Most of the argument is about the way auditors of the Department of National Revenue arrive at the valuation day value for a farm operation or for a small business. There is a continuous dispute. I receive numerous letters and phone calls from people who dispute the way government auditors arrive at fair market value on valuation day.

[Mr. Knowles (Norfolk-Haldimand).]

Many government auditors who come out to farms have no knowledge whatsoever of farm operations and what it takes to keep them viable. They learn their work from a textbook. They are instructed on how to value a farm and that they must not go beyond certain limits. In any event, they know nothing whatever of what value means to a farmer.

It seems to me that the government would be well advised to employ retired farmers or men who have had some experience and who know what a farm operation is. A man I know very well is well qualified in this regard. He is a retired farmer. He did valuation work for the Ontario government. He applied for a position with the Department of National Revenue and was refused. I simply could not understand why he was refused, because this man had some conception of what a farmer is up against.

Too much attention is paid to the speculative value of farmlands. The evaluator wants to value farms at the price which was in effect back on December 31, 1971. However, since that time inflation, and speculation by real estate people buying and selling land in the neighbourhood, or encroachment of metropolitan areas have put the price of the land out of all proportion to its value as farm land. This is a value that these auditors want to put on the value at the time of the sale. The discrepancy is far too great.

● (2022)

I want to again quote from the same gentleman. He has used some figures to illustrate what I am talking about. I will just quote that part of the letter which applies to this subject. I quote:

> Land was selling at $1,000 per acre and up prior to 1971 in this area, now the government is only valuing land at $350 per acre. If land did sell at a low price of $350 per acre in 1971, it was for estate purposes or financial reasons and does not mean the rest of us would sell for such a low price.
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> Our houses we are told would be worth more if in town. A great many people prefer country living, and as for the cost of a house it costs just as much for materials and labour no matter where one builds. Why then is the assessment on our homes placed at such a low value? We trust you will reconsider this capital gains tax and at least put a fair value on our land and buildings.

The letter was written to the Minister to Finance and the Prime Minister (Mr. Trudeau). Apparently they did not pay too much attention to it.

I have a note that I made during an interview with a farmer who came to talk to me about this problem, Mr. William H. Rittenhouse, of R.R. 2, Dunnville, Ontario. He found the same situation. The person who came to put the V-Day value had no conception of farm values or what a farm could earn. As a result, the farmers had a very high capital gain and resulting gains tax.

This man had a very novel proposal. In order to remedy this situation, he suggested starting with the sale value when the farmer sold his land and deducting 10 per cent each year, which roughly represented inflation, back to 1971. This would give a reasonable capital gains tax. I believe this proposal is worthy of consideration. It should at least be looked at by income tax auditors when determining value for capital gains tax purposes. If that formula is not adequate, there should be some other formula which will take into account the effect of inflation on the value of farm land.