

Among the proposals made to the Committee as possible remedies for the inadequate - even derisory - returns to artists in Canada were a number focused on tax treatment, many of them reflecting findings and recommendations of the 1978 Report prepared by Russell Disney for the Secretary of State on "Federal Tax Issues of Concern to the Arts Community in Canada". Some of these dealing with matters such as the treatment of artists' costs (and whether or in what circumstances artists should be considered as employees or self-employed), the valuation of works donated by artists to public institutions, and the income-averaging tax provisions available, sought little more than equitable treatment in comparison with other classes of taxpayers. Although such proposals may appear to the Department of Finance to require departures from standard practices, to the extent that they involve nothing more than simple equity they can scarcely be construed as special pleading, and this Committee supports them unreservedly.

(The Report of the Federal Cultural Policy Review Committee (Applebaum-Hébert) p. 83-84)

The conflicts that had been simmering for well over a decade came to a head in 1983. A Revenue Canada project examined taxpayers who were deducting business losses from employment income, including a large number of writers and visual artists. The artistic community and then the general public soon became aware that Revenue Canada's actions were widespread and that these actions had severe economic implications for the artists and writers involved.

On November 2, 1983, the Right Honourable Joe Clark proposed a Private Member's Notice of Motion to the House of Commons. He moved that a Parliamentary Committee study the *Income Tax Act* provisions relating to visual and performing artists and writers. He spoke about the long-standing problems of artists, about the Disney recommendations and about the importance placed on these issues by the Applebaum-Hébert report.

Spokesmen for all three parties and the Departments of Finance and Culture and Communications supported Mr. Clark's motion and stressed the urgency of the situation. The motion, as amended, passed unanimously. The matter was referred to the Standing Committee on Communications and Culture, which struck a Sub-Committee for this purpose. In the Second Session, on February 14, 1984, the Order of Reference was renewed on the same terms.

The Sub-Committee is pleased to report that this non-partisan, co-operative atmosphere has continued among the Members throughout the course of its hearings and deliberations. The Sub-Committee has focussed on practical and sensible recommendations which can remove the long-standing discontent over taxation matters felt by the diverse groups across Canada's artistic sector. The Sub-Committee urges that its report will not suffer the same fate as the Disney report. The insecurity of the previous decades must be resolved.

THE ORDER OF REFERENCE

The pertinent paragraph of the Order of Reference is as follows:

That the Standing Committee on Communications and Culture review all relevant provisions of the *Income Tax Act* relating to the taxation of