that he had stored on his farm in 1942 and 1943, and now the income tax collectors come along and say: "Where is your permit book for 1942 and 1943?" The income tax collectors are not interested in costs of production in those years, and the farmer finds that the grain which he had stored up on his farm in 1942 and 1943, and which he sold in 1944, is added to his income for 1944, thus bringing him up into a higher bracket. The more grain he had stored on his farm in 1942 and 1943, the higher the income bracket into which he goes. He was not allowed to deduct his expenses in 1942 and 1943 when he grew that grain. As a matter of fact, some farmers actually lost money, so far as cash income was concerned, in 1942. But when the grain grown in that year was sold in 1944 he was allowed to deduct only the expenses of growing his 1944 crop. After considerable protest by myself and others in this group, the Minister of National Revenue (Mr. Gibson) finally agreed to do something about it. And it was provided that every farmer who could show that he lost money in 1942 or 1943 would be able to carry his loss over to the other year. That was done, and it afforded some measure of relief, but only a small measure. In 1945 the income tax branch said that the farmer could spread his costs over a couple of years, and in 1946 the three-year average was started, but the farmer was not allowed to spread his income over 1942 and 1943.

With conditions as they are; with agriculture being such a hazardous occupation, with the likelihood of many areas having no crop for three or four or five years perhaps consecutively, the three-year period or even a five-year period is inadequate.

There should be a spreading of costs over a longer period to take care of the type of agricultural production we find in western Canada with all its risks. Some farmers have lost money for five years in a row; and some farmers have had no crop for five years in a row. A three-year average is of not much use to that man. Now he finds that he is not even allowed to claim as an exemption from income the debt he incurred in those drought years.

The farmers are also seriously concerned too about the method of collection. I came in contact with a farmer who in 1945 bought $5,000 of farm machinery and claimed exemption for depreciation in 1946. But the income tax collector said, "We are going to charge you income tax because you must have got $5,000 in that year." The farmer said, "I did not earn it off the farm." "Where did you get the money?" the income tax collector asked; "you must have made it off your farm." "No, I did not," the farmer said. The income tax collector said, "You are going to pay income tax on it anyway." The farmer came to me personally and I went out with him and interviewed the tax collector, who told me exactly the same thing that he had told the farmer, that he bought the machinery in that year and must have made the money off his farm. I said, "No, he did not, and you are not allowed to tax him on that under the act. All you can tax is the money he made that year." The farmer finds it difficult to understand why there is no tax on the money a man makes on, say the Winnipeg grain exchange, but that if he and his wife and children work on a farm, his wife looking after the chickens and his children perhaps in grades 2 and 3 milking the cows and feeding the hogs, the income of the family is taxed. Finally I pointed out to the income tax collector that the farmer had this $5,000 left to him by his mother. He was not inclined to take that into consideration at all at first but, after considerable argument, he finally admitted that it was not taxable. That made a difference of $1,000 in the tax that farmer would have otherwise paid.

The farmers of western Canada are wondering when the government will give a clear explanation to them of what is capital on the farm and what is income. That needs to be made perfectly plain. For a good many years there has been no clear definition of "basic herd." One set of departmental regulations which the farmer knows nothing about will say one year: This is the basic herd. Another year it will be something different. The farmer is allowed exemption one year and the next year he is not. The basic herd idea should be clearly explained to the farmer, so that he will know that it means the average stock he possesses. It should be considered as capital. It should apply to the horses, hogs, poultry and other farm stock, as well as cattle.

The farmer's family all join together in earning the income from his farm. It is entirely different from the way in which an ordinary business is conducted. A man in town may work at a departmental store for a few dollars a week and his wife may make a little extra money working at something else, while the boy of the family may make a few dollars by delivering telegrams. Their combined income is not taxable like the income is which the farmer and his wife and children earn. When the farmer and his wife and children find that at the end of the year they have earned just over the minimum and the tax collector comes along and takes away all the money that the wife earned from her poultry and eggs, it just takes the heart out of these