

Jan. 2nd. 1933.

Dear Mr. McAllister:-

Regarding Income Tax.- I have your letter of Nov. 1st. enclosing a copy of the one dated June 7th. The latter I remember reading but it must have been among those lost. I have however had the question in mind, but have never solved the problem.

The proposals in your letter of May 3rd. were as follows;  
quote. No 1.- We can declare all or any part of this advance during the next 60 days as a Dividend in which case we will be rebated for the payments already made (if all is declared as a Dividend) and will have to pay on this dividend for 1932.

No.2.- If during the next twelve months we pay back to Rainbow Ranch the whole or any part of these advances taxed a refund will be made to us pro-rata providing the money paid back comes from some other source than Rainbow funds.

In my letter of the 22nd. of May these were taken up. I still do not see how we can comply with them and better our position in any way, excepting possibly by trying the scheme I suggested of putting up half of the cash and later drawing it out. By doing this the tax would be spread over two years thereby reducing the amount of tax paid by the Shareholder. For instance, at todays rates, I figure that an income of \$11,180. in one year with an exemption of \$2,900. would be taxed \$308.16  
If the same income were reported over a two year period showing a yearly income of \$5,590 with an exemption of \$2,900. the tax would be \$48.56 each year or a total of \$97.12  
This would mean a saving of \$211.04. In your case were there is additional income I think that the difference would be greater.

While I have few opportunities of meeting anyone with a knowledge of these matters I have discussed it with a couple of men but without being able to find a solution to the problem.

The Tax Act is now so tight that there seems no way to get by successfully. The last ruling of doubling up on the tax for anything which is later disclosed will make one more careful from now on.

It does seem unfair that we should be taxed in one year for our total income for four or five years. And it is quite possible that the shareholders might be called upon to pay back to the Ranch some of this same income to keep the place going.

In my dealings with the Tax Office out here they have paid no attention to the declaration of dividends but have simply gone after the advances as shown on our books. I argued that I should pay on dividends and treat other advances as loans until dividends were declared. This argument had no effect on them and they assessed me on the advance of \$5750.

