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 ~~readin~~ 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 h
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 gat 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 declarationof 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.

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In Donalds case there had been a credit standing on his account after our first Dividend and this credit went to reduce the advance of $11,500. leaving a balance of $11,180. on which they are assessing.

The declaration of the $10,000. dividend seems to have no effect on the assessment already made and I do not see the force of writing it out of the books at this time.

In several letters I have advised that we should reorganize and get rid of the Advances to Shareholders. If it is still possible I think that we should still do this. If it is not done it seems to me that it would be good buisness.to follow a policy of declareing small dividends each year until these advances are cut down considerably.

Surplus cash is out of the question this year and also next year unless something changes very soon. We will ~~be~~ have time to plan future payments . In the mean time to cut down your last assessment you might inquire into my suggestion and if there is any merit in it you might arrange with the bank to charge your account and credit the Ranch account for a period of time so as to split the assessment in two.

If in thinking over this question you find any solution please let me know. I must say that I see no way of getting by the assessment already made.

Yours sincerely

Jim Foldie

I am glad to hear of Donald's progress. It is mighty hard luck on him, and the expense at this time must make it difficult. We hear of you once in awhile from our Toronto folks. This Winter some time our eldest youngster Anne is going down to Toronto, and I hope that she may see you. Have had a letter or two from Donnie. He seems to be going strong but does not speak of coming out. Our little family are all well and happy, for if the Chinkies don't keep us from being very joyful. We have only had one cold snap, generally speaking the Winter might be turned upon.

Best of good wishes to you and Mrs Dun all the time

Yours truly

Jim G.