

Feb 19<sup>th</sup> 1930<sup>th</sup>

Dear Mr. McAllister,

I am still answering questions from the Income Tax office. They don't press up very much, but so far I think that we are in the clear. One reaction however is that my Wife has been requested to make returns for advances made by the Rainbow Ranch to her during 1928.

These advances I had figured would not be shown as income by the shareholders until 1929 when the Ranch declared a dividend, but the Income Tax Office rules that it is income for the year in which it is received.

Before long no doubt you will hear from them in regard to the advances made to Donald \$8500. in 1928.

I am sending you a copy of 1926 amendments to the Income Tax act. Please return when you are there with it.

From it I judge that the advances or loans made prior to 1926 cannot be taxed. It would seem that you can be taxed for the payments to Donald.

In Section 8 clause 2 is mentioned (power to loan to shareholders.)

My papers are with the solicitor in Kelowna but I think that the Ranch has the power to loan to shareholders.

I have no one to go to for advice regarding these questions. If you can get any information along this line please let me know.

Personally my expenditures have always been considerably more than my income. It now seems rather surfeit to be called on to pay Income Tax on returns which we have been waiting for for years in order to pay off debts incurred during those off years.

If the Ranch were allowed to loan to shareholders and then declare regular small dividends to take up these loans, it would be better business.

As I see it at the present time it would be advisable for us to declare a dividend ~~from~~ ~~the~~ before closing our books providing that the shareholders are allowed to report it as a reduction of their loans from the Ranch during the 1929 period.

What we really want to get at is to spread our returns from the Ranch over a period of years. Can you make any suggestions as to ways and means of doing this?

Yours sincerely  
Jim C.