

# INCOME TAX BID IS MADE BY HEPBURN

Offers to Bear Ontario  
Relief Cost if Prior  
Right Conceded

ASKS AID OF HOUSE

Macaulay Upholds Him  
Partially—McQuesten  
Raps Ottawa

Publicly promising that his Government will shoulder the entire costs of Ontario relief, if Ottawa concedes to the Province the prior right to tax personal income, Premier Hepburn yesterday opened the Legislature debate by means of which he expects to win the solid support of the House on this tax issue, and thereby strengthen his Administration's position in the submissions it will presently make to the Rowell Commission on Dominion-Provincial relations.

He was speaking to a resolution asserting Ontario's prior right in the field of income taxation, which he asked the House to endorse.

"We have no intention of raiding the Dominion Treasury," he summed up his argument for Federal recognition of his long-stated demands. "We are merely presenting claims that are reasonable and just."

### Legal Right Not Questioned.

Ontario, he said, did not question the legal right of the Dominion to impose an income tax. It did contend, however, that it held the prior right. That direct taxation should be left wholly to the Provinces was provided for, he further argued, in what might be described as an unwritten agreement between the Provinces and the Dominion that had extended from Confederation down to the outbreak of the Great War. With an ever-increasing burden of mothers' allowances, relief, hospitalization, education and other social services costs devolving upon the Province and the municipalities—all of which meant need for more money—the time had come, he said, when every possible resource had to be husbanded and any further encroachment by Ottawa upon the Province's field of direct taxation had to be "zealously and jealously" guarded against.

Hon. Leopold Macaulay, Opposition Leader, supported Mr. Hepburn's resolution for prior right, in the hope that it might bring about some more equitable distribution of taxation than obtains at present, but he warned the House that the Premier was using the idea for bargaining purposes before the Rowell Commission and that the Premier honestly realized that he couldn't possibly get from that Commission all his Government was asking for.

### Federal Problem Broader.

Mr. Macaulay also warned the Prime Minister that the day of "hundred million dollar budgets" was over in Ontario, and that the sooner some system could be developed whereby municipalities raised their own taxation to meet certain vital services, and no longer "camped on Queen's Park doorstep" for "handouts," the better for the country and the public, generally. Although he scored Hon. James Gardiner as "the worst machine politician" the Dominion has ever seen, Mr. Macaulay recognized the position of the Western Provinces, and said that the House, in endorsing Mr. Hepburn's present demand, should not overlook the fact that the Federal authorities had a much broader and complex problem with which to deal, than the purely Ontario one which Mr. Hepburn was discussing.

Former Premier Henry approved of Mr. Hepburn's resolution, but with reservations. He opposed a Provincial income tax, claimed it was Mr. Hepburn's duty to direct Ontario away from "narrow Provincialism," and while he objected, like Mr. Hepburn, to having Ontario made "a milch cow for the rest of Canada," he felt that Ontario and Quebec should not stand together at Ottawa to defy any just claims of the other provinces, and thus tend toward a possible dismembering of a long-united Dominion.

### Gives Ottawa Advice.

It remained, however, for Hon. T. B. McQuesten, Minister of Highways, to startle the House with his views on the issue. Making a set speech that was openly dubbed "pretty radical" by one Opposition bencher, Mr. McQuesten advised Ottawa to look after its own business, solve its railway problem, and balance its budget, before accepting any further responsibilities, unless, he said, it was anxious "to get control of all taxation throughout Canada."

"We might say to our friends down there," said he, "that a fool is always sticking his nose into other people's business."

Mr. McQuesten expressed the personal opinion that unemployment insurance and other social services should be regulated and controlled by the Province. In the Provinces,

he said, they knew their respective conditions better than any one else. "What right," he asked, "have the Eskimos in the north, the Ruthenians in Saskatchewan, or the fishermen on the coast got to contribute to our Councils? What do they know about our problems—about the problems of capital and labor—about the problems of industry we have to meet in Ontario, for instance?"

"They buy our goods," L. M. Frost (Cons., Victoria) declared.

"If they minded their own business they might get them cheaper," Mr. McQuesten shot back.

"If you keep on talking as you're doing they'll never buy any more," giped Mr. Macaulay.

The debate adjourned until Monday, with former Labor and Welfare Minister David A. Croll scheduled to resume.

### Denies Any Politics.

In opening his plea for undivided support of his resolution, Mr. Hepburn told the House that the tax levied by the Dominion on personal incomes brought in 52 per cent of the entire revenue of the Dominion. Of the Dominion-collected tax on corporation income, 58 per cent, he said, came out of Ontario. His Government, he added, was not asking Ottawa to relinquish the latter tax, or to give up its tax on personal income. All Ontario wanted was the

first crack at the personal income. There were no politics, he said, in the attitude he was taking, or in the House backing he was soliciting. More revenue would be required at an early date—not for the Province, he said, but for the municipalities.

The Premier quoted statements of Hon. A. T. Galt, the Minister of Finance, and of Hon. George Brown, during the debates on Confederation, to support his claim that the Provinces had the power of imposing direct taxation. In 1917 Sir Thomas White, then Minister of Finance, had declared that except in case of manifest public necessity (such as the war was held to be) it was not expedient that the Dominion should invade the field to which the Provinces were solely confined for the raising of their revenues. Premier Pattullo of British Columbia, he said, was supporting Ontario's stand, and the late Provincial Treasurer Monteith of Ontario had often claimed, while in office, that the Federal income tax should be abolished.

### Raps Ottawa on Relief.

Mr. Hepburn reminded the House of the immense sums the Province had spent in Northern Ontario on roads and the T.N.O. Railway to open up and develop that section. And yet, said he, all the Province had collected in taxation from the mines since 1933 had been \$6,257,000, as compared to the nearly \$20,000,000 collected by the Federal Government. He also condemned the "unfair policy" of Ottawa with respect to unemployment relief, saying that the dollar-for-dollar-with-the-Province basis once proposed had now fallen away to the point where this month (March) Ontario will contribute 45 per cent and the Dominion a scant 21 per cent. The Province, he said, was now sandwiched in between distressed municipalities and "a reluctant Federal Administration," and with real estate unable to stand any more taxation, the situation was becoming increasingly difficult. Ontario, he submitted, had contributed the lion's share all along, in these difficult times, and yet Ottawa was persistently trying to whittle down on the Province, not only in the field of relief but in many other respects.

Mr. Macaulay, at the outset, emphasized that anything he had to say was dissociated from party politics, but anything that the Opposition could do to strengthen the Government's hand to secure just taxing powers from the Dominion would be done.

He saw in the resolution a move on the part of the Premier to strengthen his hand—to put fourteen or fifteen cards in a hand in which only thirteen cards could be played in the Province's game—in other words to "put himself in a strong position before going before the Royal Commission so he can ask for more than he expects to receive."

### One of Hepburn's Cards.

Other Provinces, in some instances, claimed Mr. Macaulay, "had made ridiculous suggestions. "This income tax resolution, I presume, is one of the cards Mr. Hepburn is going to play in a game with nine players, with the Dominion being the banker," he remarked.

Argument that the Provinces' demands were steadily increasing in proportion to revenue, he forecast, would be met with similar argument from the Dominion. He pointed out the Dominion's heavy defense appropriations. The Dominion, he said, could not go on forever with its head in the sand in respect to the problem of defense. The railway debt continued to pile up at the rate of \$1,000,000 a week.

"There are a great many other Federal problems but when you are making a demand for a greater share of the tax pot, remember there is only one taxpayer—only one group