

## Real Property Tax Collection in Sta. Josefa, Agusan Del Sur, Philippines: An Exploratory Research Analysis

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### ABSTRACT

This research study is conceptualized to provide information on the real property tax collection in Sta. Josefa, Agusan del Sur. This employs a documentary-descriptive-research method using secondary sources of information generated from archives, and documents such as the Certified List of Real Property Tax Delinquencies, and the Electronic New Government Accounting System. Moreover, JASP is utilized to illustrate the tax collection delinquency on real property with and without government intervention. The findings of this study include that there is a compelling linkage between government intervention on tax collection of real property. It describes the importance of the interventions as a way of improving collection efficiency and reducing tax delinquency.

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## **INTRODUCTION**

Taxation provides the majority of the government's funding, allowing it to fulfill its commitments and mandates to the people by providing essential services. As a result, taxation is vital to the existence of the government, and it cannot function well without the contribution of its people (Adegbite and Shehu, 2022).

In the Philippines, the government of the locality is given the authority to collect revenues, whether generated from income tax revenue or non-tax revenue, to fund public activities, projects, and programs. One major contributor to generating income tax is the collection of tax on real property. Levy on real property is the tax imposed on residential, agricultural, and commercial properties, comprising roads, buildings, land, and all types of constructions cohered to the soil.

The Philippine legislature formulated the local code in 1991, also known as Republic Act No. 7160, which provides the government of the locality, the authority to use its resources including the collection of local taxes. Book II, Chapter 1, Section 132-Local Taxing Authority clearly states the authority to enforce a levy, payment, charge, or produce income under this law. Chapter IV, section 176 of the same Book-Levy on Real Property provides provisions on the required time for the property owners to pay their taxes [2]. On the part of the government of the locality, this law supports the collection of tax on real property.

In Agusan del Sur, the municipality of Sta. Josefa is among the government of the locality that exercises its power in collecting taxes from real property. Consequently, the local government saw an increase in the tax collection delinquency in real property. Thus, understanding factors will be crucial in the government's ongoing efforts to boost income, maintain operations, and continue providing basic services to its people.

Further, limited studies have been conducted on the factors contributing to real property tax collection. If the factors affecting collection are identified, then the local government can design a better method for collecting real property tax. Accordingly, this study is designed to explore Sta. Josefa, Agusan del Sur real property tax collection to continuously find means and provide effective approaches to address the problem.

## **THEORETICAL REVIEW**

The Tax on Real Property is levied according to the value of real property estate paid annually to the government of the locality. It is a levy based on a steady percentage of the property's value [5]. The revenue generated from tax dues would be utilized to provide essential services and maintain operations (Night and Bananuka, 2020).

Bahl et al (2021) argued that low-income countries in Asia can obtain revenue potential from the property tax through reforms in the form of well-drafted laws and sound policy frameworks.

In Romania, reforms such as simplifying tax legislation and procedures lead to a digital, automated evaluation of the value of levies to be paid, which

introduces the determination of levy algorithm rather than depending on what the market forces (Mitu and Mitu, 2022).

Further, Vartašová and Červená (2020) determined that changes in the law that enhance revenue from buildings tax, land tax, and flat tax have a substantial impact on changes in overall revenue in Košice City from tax of real property.

## METHODOLOGY

This research study employed a documentary-descriptive-research method using secondary sources of information. The study's main aim was to understand factors influencing the collection of tax on real property, resulting in an increase in tax collection delinquency. Pieces of information were gathered from archives, and documents such as the Certified List of Real Property Tax Delinquencies, and Real Property Tax Collections. Tools such as the Electronic Treasury Operation Management System, the Real Property Tax Information System, and the Electronic New Government Accounting System were also used in deriving the data. The data collected were reviewed and interpreted in descriptive analysis and documentary analysis. The descriptive analysis is applied to several studies because it could stand independently as a complete research design, or backup causal reasoning and turn data into meaningful dimensions in establishing decision-making (Loeb et al 2017). The tax collection with and without government intervention is presented using the independent sample t-test in Jeffreys Amazing Statistical Program to measure the level of significance of government intervention in the tax collection of real property.

## RESULTS AND DISCUSSION

### *Tax Collection on Real Property before and during the COVID-19 pandemic*

Sta. Josefa is one of the fourteen (14) municipalities of Agusan del Sur and is categorically a third-class municipality. The local government is actively collecting real property tax through easy access payment where the local collectors would visit each barangay on specified dates to collect taxes and give tax incentives to those prompt land-payers.

**Table 1 - Real Property Tax Collections for CY 2017-2022**

Year	Tax Due	%	Collections	%	Delinquent	%
2017	4,366,198.82	100	4,276,716.22	97.95	89,482.60	2.05
2018	4,826,485.38	100	4,477,638.72	92.77	348,846.66	7.23
2019	6,086,728.55	100	6,320,022.46	104	(233,293.91)	-
2020	6,570,746.66	100	4,486,200.70	68.28	2,084,545.96	31.72
2021	6,703,083.00	100	5,102,252.04	76.12	1,600,830.96	23.88
2022	5,692,215.60	100	5,633,406.50	98.96	58,809.10	1.04
TOTAL	34,245,458.01	100	31,886,500.50	93.11	2,358,957.51	6.89

Source: Report of Collections of Real Property Tax

Certified List of Real Property Tax Delinquencies

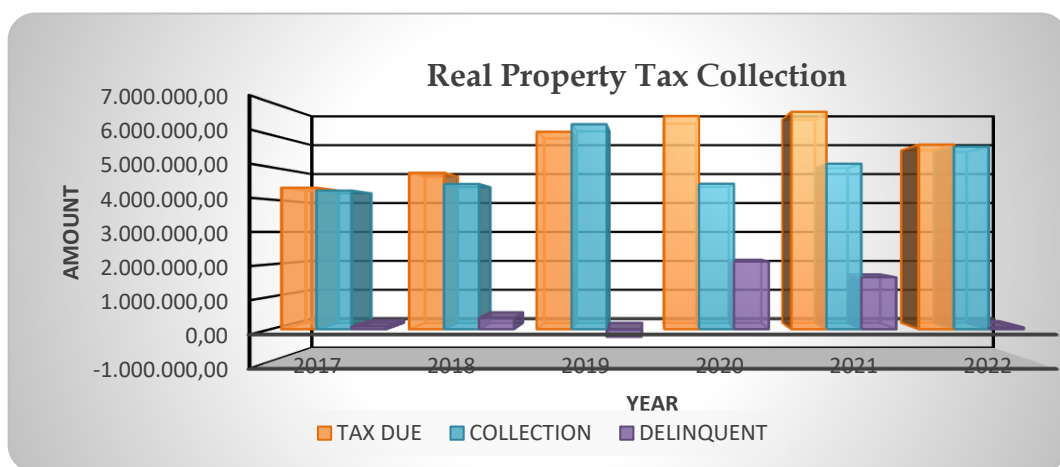
Electronic New Government Accounting System

The collected levies of real property are increasing each year, except in the year 2020, the height of the COVID-19 pandemic which realizes only 68.28%

collection of the targeted tax due. It is also noticed that in 2021 the collection in real property tax is improving to 76.12% but still the collection does not meet the previous years' collection performance. During those mentioned years, the collection scheduled per barangay was temporarily put on halt and the payment of levy due on real property is in the municipal local treasury only.

Table 1 shows the collection in 2019 reached beyond its target based on the data generated. It recorded a 104% collection which means that the target had been achieved and previous years' collectible is also addressed. The year 2019 is between the pre-pandemic stage where easy access payments are implemented and the starting point of the implementation of health protocols for the prevention of COVID-19.

**Figure 1.** Real Property Tax Collection for CY 2017-2022



Source: Report of Collections of Real Property Tax  
 Certified List of Real Property Tax Delinquencies  
 Electronic New Government Accounting System

The COVID-19 pandemic brought economic and social disruption. The local collectors are temporarily prohibited from visiting the barangay and any government intervention at the barangay level for collection on tax due of real property is put to a halt. In effect the collection efficiency is affected which recorded a delinquency of Php 2,084,545.96 or 31.72% in 2020 and Php 1,600,830.96 or 23.88% for the year 2021 [Fig. 1].

***Significance of Intervention in the Government in the Tax Collection***

To check on the level of significance of intervention in the government in tax collection of real property, the independent samples t-test is applied. This study set the null hypothesis to no linkage between government intervention in tax collection on real property tax.

**Independent Samples T-Test**

	Test	Statistic	df	p
Delinquency	Student	-3.674	4.000	0.021
	Welch	-3.674	4.000	0.021
	Mann-Whitney	0.000		0.100

**Assumption Checks**

**Test of Normality (Shapiro-Wilk)**

	W	p
Delinquency With Government Intervention	1.000	1.000
Without Government Intervention	1.000	1.000

*Note.* Significant results suggest a deviation from normality.

**Test of Equality of Variances (Brown-Forsythe)**

	F	df <sub>1</sub>	df <sub>2</sub>	p
Delinquency	3.698×10 <sup>-32</sup>	1	4	1.000

The assumption checks of normality and equality of variances in data allow the researcher to describe that the information is equally and normally distributed with a p-value of 1 which made the independent t-test appropriate in the interpretation of data. Further, the result of the p-value of 0.021 in performing the independent t-test made the researcher resolve to reject the null hypothesis which indicates that there is no linkage between government intervention on real property tax collection. Hence, there is a compelling linkage between government intervention in the tax collection of real property.

**CONCLUSIONS AND RECOMMENDATIONS**

After weighing the pieces of evidence, the researcher concluded that there is a compelling linkage between government intervention in tax collection of real property. It is revealed that government intervention is essential in achieving collection efficiency in the locality. It is evident by the increase in delinquency when the locality totally cut down services in the barangays in compliance with the health protocol imposed by the national government to prevent COVID-19 from spreading.

Moreover, it is recommended for the government of the locality to continue and even improve the collection intervention on real property tax which includes; giving tax incentives; visiting the barangays on scheduled dates; sending notices to respective property owners; conducting information drives on the importance of prompt payments; foreclosing and auctioning long due properties; implement an e-transaction mode of payment; and accessibility of payment areas.

## FURTHER STUDY

The findings of this study will guide future researchers in making further studies on the tax collection system efficiency of real property.

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