

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HB No. 399



Introduced by **Rep. Roseller L. Barinaga**

EXPLANATORY NOTE

The primary objective for distributing Internal Revenue Allotments (IRA) to local government units (LGU's) is to lessen fiscal disparities among urban and rural communities. It is widely known fact that urban communities are better off than rural communities because they have bigger tax bases than the former. It is hoped that through the IRA, this disparity among the "haves" and "have-nots" could be lessen, if not completely eliminated. This is referred to as the "equity objective" of the Internal Revenue Allotment.

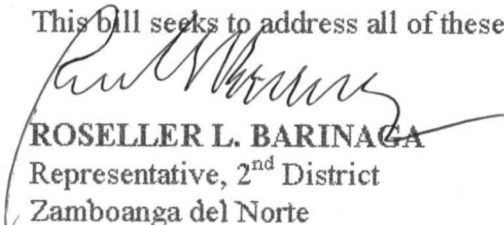
Unfortunately, many studies have long pointed out that the IRA distribution formula under Republic Act No. 7160, otherwise known as the Local Government Code of 1991 does not accomplish this equity objective. In fact, many LGUs whose areas are already well-developed in socioeconomic terms, get bigger IRA shares than those which need them the most, i.e. LGUs beset by massive poverty, have weak tax base and are densely populated.

This bill seeks to correct this inequity by introducing poverty-sensitive factors in the IRA formula in lieu of population, land area and equal sharing. These are population density, poverty incidence and the income class of LGUs. Studies show that these factors, if used to calculate for IRA shares of LGUs, would favor poorer provinces, cities, municipalities and barangays.

Furthermore, this bill safeguards the full cost of devolution by institutionalizing the Guaranteed Fund introduced by President Fidel V. Ramos in 1994. It shall be sourced from the forty percent (40%) shares of LGUs.

Finally, this bill allows LGUs to automatically retain their IRA shares without having to go to Manila-based government offices to beg for their money.

This bill seeks to address all of these concerns.


ROSELLER L. BARINAGA
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Zamboanga del Norte

THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
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HB No. **399**

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AN ACT

AMENDING SECTIONS 285 AND 286 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991, PROVIDING FOR AN EQUITABLE DISTRIBUTION OF THE INTERNAL REVENUE ALLOTMENT (IRA) TO LOCAL GOVERNMENT UNITS

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 285 and 286 of Republic Act No. 7160 is hereby amended to read as follows:

“SECTION 285. *Allocation to Local Government Units.* - The share of local government units in the internal revenue allotment shall be allocated [in the following manner:] BEGINNING IN 1996 AFTER DEDUCTING THERE FROM THE COSTS OF DEVOLUTION, OTHERWISE KNOWN AS GUARANTEED FUND. THE GUARANTEED FUND SHALL BE DISTRIBUTED AND REMITTED DIRECTLY TO THE LOCAL GOVERNMENT UNITS CONCERNED AND THE NET OR BALANCE OF THE INTERNAL REVENUE ALLOTMENT SHALL BE ALLOCATED IN THE FOLLOWING MANNER:

- (a) Provinces - Twenty-three percent (23%);
- (b) Cities - Twenty-three percent (23%);
- (c) Municipalities - [Thirty-four percent (34%)] THIRTY-PERCENT (30%); and
- (d) Barangays - Twenty percent (20%):

Provided, however, That the share of each province, city and municipality shall be determined on the basis of the following formula:

(a) Population DENSITY - Fifty percent (50%); AND

(b) [Land Area - Twenty-five percent (25%); and]
POVERTY INCIDENCE - FIFTY PERCENT (50%);

[(c) Equal Sharing - Twenty-five percent (25%);]"

"Provided, further, XXX"

"Provided, finally, That the financial requirements of barangays created by the local government units after the effectivity of this Code shall be the responsibility of the local government units concerned."

"SECTION 286. Automatic Retention of Shares. - (a) The share of each local government unit shall be released AUTOMATICALLY RETAINED BY IT, without need of any further action, directly to provincial, city, municipal or barangay treasurer, as the case may be, on a quarterly basis within five (5) days after the end of each quarter, and which shall not be subject to any lien or holdback that may be imposed by the National Government for whatever purpose.

(b) Nothing in this Chapter shall be understood to diminish the share of local government under existing laws."

SEC. 2. All laws, executive orders, rules, regulations and other issuances inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 3. This Act shall take effect upon its approval.

Approved.