

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 3913

Introduced by: HON. LORETO LEO S. OCAMPOS

EXPLANATORY NOTE

The Local Government Code was passed into law to make local government units accountable, self-reliant and self-sustaining. It decreed the decentralization of the powers, responsibilities and resources from the central government to the local government units.

Among the compelling provisions of the law are the reinforcement of the local government units' power to tax and the increase of its share in the internal revenue allotment (IRA) to strengthen its autonomy.

The internal revenue allotment has become the lifeblood of local government units. With gargantuan responsibilities and mounting expenditures, the local government units have found themselves in dire financial straits.

This bill seeks to amend the Local Government Code by increasing the internal revenue allotment of local government units from the current forty percent (40%) to fifty percent (50%). It seeks to boost the financial condition of LGUs and corollary, strengthen them.

The immediate passage of this bill is earnestly sought.



LORETO LEO S. OCAMPOS

Representative

2nd District, Misamis Occidental

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**AN ACT INCREASING THE INTERNAL REVENUE ALLOTMENT OF THE LOCAL
GOVERNMENT UNITS**

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

SECTION 1. Section 284 of RA 7160 otherwise known as the Local Government Code of 1991 is hereby amended to read as follows:

SEC. 284. *Allotment of Internal Revenue Taxes.* Local government units shall have a FIFTY PERCENT share in the national internal revenue taxes based on the collection of the third fiscal year preceding the current fiscal year as follows:

- (a) On the first year of the effectivity of this Code, thirty percent (30%);
- (b) On the second year, thirty-five percent (35%); and
- (c) On the third year and thereafter, forty percent (40%).
- (d) On the 10th year and thereafter, fifty percent (50%). Provided, That in the event that the national government incurs an unmanageable public sector deficit, the President of the Philippines is hereby authorized, upon the recommendation of Secretary of Finance, Secretary of Interior and Local Government and Secretary of Budget and Management, and subject to consultation with the presiding officers of both Houses of Congress and the presidents of the liga, to make the necessary adjustments in the internal revenue allotment of local government units but in no case shall the allotment be less than thirty-five percent (35%) of the collection of national internal revenue taxes of the third fiscal year preceding the current fiscal year: Provided, further That in the first year of the effectivity of this Code, the local government units shall, in addition to the thirty-five percent (35%) internal revenue allotment which shall include the cost of devolved functions for essential public services, be entitled to receive the amount equivalent to the cost of devolved personal services.

SECTION 2. Repealing Clause. – All laws, decrees, rules and regulations, or parts thereof inconsistent with this Act are hereby repealed or amended accordingly.

SECTION 3. Effectivity. – This Act shall take effect fifteen (15) days following its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,