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SENATE
S.No. 1842

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Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

Real property tax (RPT) is the single major source of income of local governments. It accounts for roughly 36% of total locally-generated income of LGUs. However, the Commission on Audit (COA) bared that only 54% of the total potential tax take are actually collected. There are several reasons raised why there is an apparent under collection of real property taxes:

(1) There is no uniform method of appraising real properties among local governments - i.e., two similar assets located in two different but adjacent jurisdictions may bear different RPT burdens.

(2) Revision or updating of the schedule of fair market values is so infrequent, thus, resulting in a low tax base even as assets in the market continue to appreciate.

(3) The approval of the schedule of fair market values is vested on the Sanggunian Panlalawigan/Panlungsod. Considering the political nature of the local Sanggunian, the tendency is to forego revisions in the valuation schedule or to keep the property values understated.

It is important, therefore, that the approval of the schedule of fair market values be transferred from the local Sanggunian to the Department of Finance (DOF) upon review and recommendation of a Regional Technical Valuation Committee. The power to determine the assessment levels and tax rates, however, shall remain with the local Sanggunian.

The Committee shall be composed of the local assessors, and regional representatives from the Bureau of Local Government Finance (BLGF), the Bureau of Internal Revenue (BIR),

and the private sector. The same Committee shall seek to harmonize the valuation method used by the different local government units, national government agencies, and the private sector.*

Miriam Defensor Santiago
MIRIAM DEFENSOR SANTIAGO

* This bill was originally filed during the 14th Congress, First Regular Session

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1 AN ACT
2 AMENDING SECTIONS 212 AND 214 OF REPUBLIC ACT NO. 7160, OTHERWISE
3 KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

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

4 SECTION 1. Section 212 of Republic Act No. 7160, or the Local Government Code of
5 1991, is hereby amended to read as follows:

6 "SEC. 212. *Preparation of Schedule of Fair Market Values.* - Before any
7 general revision of property assessment is made pursuant to the provisions of this
8 Title, [there shall be prepared a schedule of fair market values by the provincial,
9 city and the municipal assessors of the municipalities within the Metropolitan
10 Manila Area for the different classes of real property situated in their respective
11 local government units for enactment by ordinance of the sanggunian concerned.]

12 **A SCHEDULE OF FAIR MARKET VALUES SHALL BE PREPARED BY**
13 **A REGIONAL TECHNICAL VALUATION COMMITTEE FOR FINAL**
14 **APPROVAL OF THE SECRETARY OF FINANCE.**

15 **THE REGIONAL TECHNICAL VALUATION COMMITTEE**
16 **SHALL BE COMPOSED OF THE PROVINCIAL, CITY AND**
17 **MUNICIPAL ASSESSORS OF MUNICIPALITIES WITHIN THE**
18 **METROPOLITAN MANILA AREA, AND ONE REPRESENTATIVE**
19 **EACH FROM THE BUREAU OF LOCAL GOVERNMENT FINANCE**
20 **(BLGF), THE BUREAU OF INTERNAL REVENUE (BIR), AND THE**
21 **PRIVATE SECTOR. THE REPRESENTATIVE FROM THE PRIVATE**

1 **SECTOR MUST BE DIRECTLY INVOLVED IN REAL ESTATE**
2 **APPRAISAL.**

3 The schedule of fair market values shall be published in a newspaper of
4 general circulation in the province, city or municipality concerned or in the
5 absence thereof, shall be posted in the provincial capitol, city or municipal hall
6 and in two other conspicuous public places therein.”

7 SECTION 2. Section 214 of the same law is hereby amended to read as follows:

8 “SEC. 214. *Amendment of Schedule of Fair Market Values.* - The
9 [provincial, city or municipal assessor] **REGIONAL TECHNICAL**
10 **VALUATION COMMITTEE** may recommend to the [sanggunian concerned]
11 **SECRETARY OF FINANCE** amendments to correct errors in valuation in the
12 schedule of fair market values. The [sanggunian concerned] **SECRETARY** shall,
13 [by ordinance,] act upon the recommendation within ninety (90) days from receipt
14 thereof.

15 SECTION 3. *Separability Clause.* - If any provision or part hereof is held invalid or
16 unconstitutional, the remainder of the law or the provision not otherwise affected shall remain
17 valid and subsisting.

18 SECTION 4. *Repealing Clause.* - Any law, presidential decree or issuance, executive
19 order, letter of instruction, administrative order, rule, or regulation contrary to or inconsistent
20 with the provisions of this Act is hereby repealed, modified, or amended accordingly.

21 SECTION 5. *Effectivity.* - This Act shall take effect fifteen (15) days following its
22 Publication in at least two (2) newspapers of general circulation.

Approved,