

## STATES &amp; LOCAL FINANCE

## The IGR Initiative

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A comprehensive taxpayer database is an essential requirement for effective tax-based IGR expansion. Every subnational government is better off collecting taxes from registered taxpayers. The leading cause of many state and local governments' underwhelming results in their independent revenue generation is their failure to build such databases. That is why direct tax (particularly personal income tax) collections with known taxpayers dominate most state and local government IGR. Therefore, conducting a statewide census of taxpayers and registering them in the process is critical for developing such a comprehensive database. Like the population census, taxpayer enumeration captures all potential and current taxpayers in the database. The urgency for this process derives firstly from the need to grow subnational revenue positions and secondly, because of the need for meaningful collaboration and integration of the databases of other relevant institutions by most states and local governments. For instance, the internal revenue services (IRS) will always have richer databases if all schools collect and share comprehensive and pertinent data on the parents and guardians of school children across the state. Imagine also that hospitals, religious groups, and associations collect and share similar information about their patients and members. But apart from feeding the database with the desired taxpayer information at any given time, the enumeration process is central in consistently updating such databases. A periodic enumeration cycle (e.g. every three years) enables a high level of completeness of the taxpayer database.

Success in taxpayer enumeration starts with adequate preparations. There are at least five essential considerations when preparing. They comprise the process design and the articulation of the overall enumeration methodology, establishing the boundaries of the areas to be counted, determining required information, stakeholder communication and promoting public knowledge of the intended programme. A good enumeration design will comprise clear objectives addressing expectations from each taxpayer demographic, informing the nature and depth of data requirements. Additionally, the plan will specify the strategy for collecting taxpayer information across different demographics and how to utilise it to ensure the achievement of the objectives. Several taxpayer enumerations have failed to deliver the expected results because of poor design, which meant that most of the collected data were

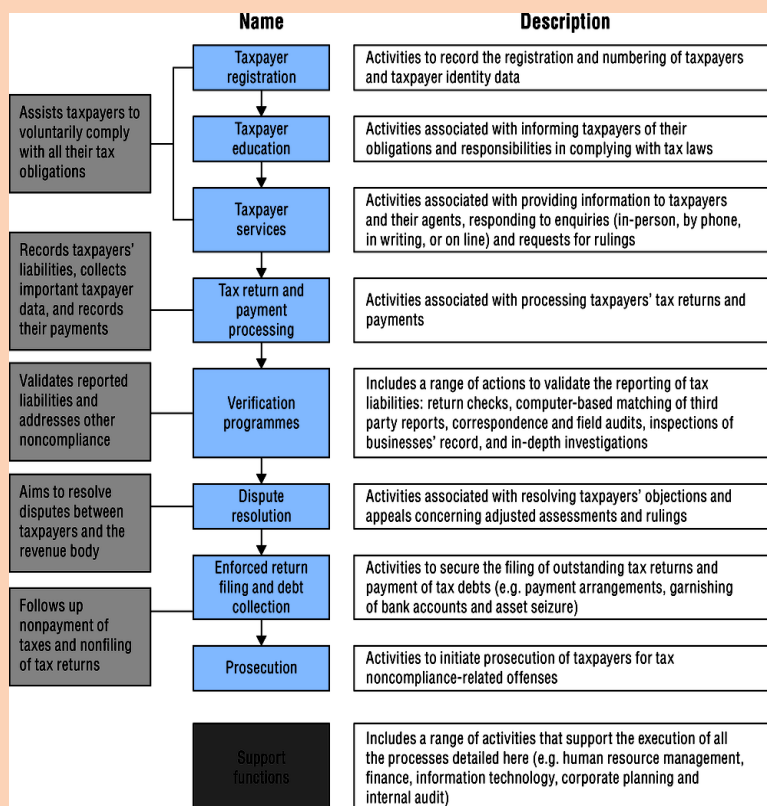
inadequate to satisfy the target objectives.

The next important thing is the delineation of areas for enumeration. This preparation phase requires marking and apportioning different residential areas, business areas, markets, religious houses, parks and others to different enumeration teams for accessibility and efficiency in the data collection process. This delineation is crucial as the enumeration is not merely focused on the individual and corporate taxpayer but may also support the identification of additional taxable assets. Albeit the identification of taxpayer information requirements for various demographics, there is a need to validate them and be sure that they meet the expectations of critical stakeholders. The validation procedure enables the development of appropriate data collection instruments, such as questionnaires. After this phase, there is a more inclusive stakeholder dialogue to secure maximum buy-in, upon which the IRS ideally launches a more expansive sensitization programme for the proposed project.

Criminalising attempts to evade being tallied is an essential aspect of the preparation. Ideally, the state legislature must pass a law to support this activity. An integral component of such a law is requiring all citizens to register and equally link the citizens' access to certain public services and goods to their compliance with it. As a result, obtaining statewide data on registered residents prior to the enumeration exercise is essential. First, alongside other complementing databases, the residents' database provides baseline information for the enumeration. Second, the process is much easier as the enumerators may find themselves merely updating pre-existing data. Third, it gives an idea of the extent of dereliction of the process by the citizens. Some people or businesses unwilling to pay taxes will attempt to avoid availing the enumerators of their details. The law is of great importance in containing such attempts. Such a law should also have vicarious consequences for those shielding those evading the process. Although this process is best during weekdays, which makes it easy to record businesses situated within residential areas, weekends help capture unemployed adults that were not around during weekdays. Including unemployed adults and people who are almost of taxpayer age in the enumeration is crucial to make database updates in succeeding periods easier.

There are three major enumeration channels: physical, media and other databases. Each channel has a unique information-gathering approach. Under the physical

## Prioritising taxpayer enumeration



channel, the enumeration teams usually adopt a door-to-door approach similar to the population census of what people call the 'Jehovah's Witnesses' method. Enumeration teams mark visited households or business offices as they count and collect the required information. They can also revisit enumerated areas if they are not satisfied that they have comprehensively counted and included all the needed persons and organisations in the database. The media channel has three or more subchannels. The first is corporate websites. Using appropriate internet crawlers, information technology experts on the team help identify and generate a list of companies whose office addresses are within the state. The second subchannel is social media such as Facebook, LinkedIn, Twitter and Instagram. Dedicated teams also meticulously scan the social media environment to identify persons and organisations resident or doing business in the state. The third subchannel comprises advertisements in the press. Again, a dedicated team scans various newspapers dating back about a decade to the enumeration date and extracts names and addresses of individuals and businesses operating in the state. Ideally, the database construction from the media channel should precede the physical visitations as they constitute part of the baseline data. In other words, the physical visitations teams utilise such information to access individual corporate taxpayers for enumeration.

To achieve good results with the enumeration exercise, a team drawn from different units comprising the Internal Revenue Service, land registration, residents registration and information technology should drive the process. While the IRS should lead the process for obvious reasons, the quantity and quality of representation from the other units should be robust. As explained earlier, those in charge of land registration provide better insights into the geographic mapping neces-

sary for the project. They also contribute to the baseline data from land ownership, complementing the one provided through the residents' registration process. The information technology unit supports the entire process by digitalizing the data capture, storage, retrieval and integration processes. At the helm, the chairman of the Internal Revenue Service chairs the steering committee. Hiring a few consultants and experts on household surveys is always advisable to support the process. Sometimes, such experts avail the state teams of their experiences with the same process in other environments. Below the steering committee will be a laddered structure comprising teams at the senatorial district, local government, constituency and town levels. A team composition similar to the steering committee will prevail at all levels except the town. The steering committee has the bulk of responsibility for the project's success as they oversee the onboarding and training of team members. The committee also has responsibility for the pilot testing of the process and its monitoring, assessment and review.

As in every field survey, the tools that the enumerators must have are essentially four. The first is a detailed area map of the enumeration area, which facilitates easy identification of residences, offices, markets and parks. The second is the printed and electronic copies of the survey instrument (questionnaire) for the different taxpayer demographics of interest. The third is the data capture tools such as the Census and Survey Processing System (CSPRO) primarily used for this kind of assignment. CSPRO enables real-time online completion of the enumeration and its instant transmission and storage in the database. But where, for some technical reasons, such real-time survey administration is not possible, printed versions of the enumeration instruments temporarily serve until the transfer of the information into the database. The fourth tool com-

prises already developed baseline data, sometimes acquired from the residents and land registration processes. This pre-acquired data enables easy validation and cross-matching of freshly collected taxpayer information.

Database integration resulting from taxpayer enumeration is a large part of what makes it beautiful. Although we emphasise the utilisation of databases housing residents' and land registration information to create requisite baselines and first lines of data validation, there is vast room for linking other databases to the newly created taxpayer data repository. A good example is the database of the parents and guardians of schoolchildren. Simply put, parents and guardians of schoolchildren whose details in the state school database do not appear in the central taxpayer database may be evading tax payments. The same applies to expected synchronisation with the databases of town unions, religious bodies, and those held by other ministries and agencies of government. Aside from facilitating database integration, taxpayer enumeration provides the backbone for meaningful digitalization. Because the taxpayer enumeration process also enables automatic taxpayer registration, most taxpayers can efficiently perform their tax obligations at the convenience of the home using digital devices. With a taxpayer identification number, taxpayers can easily use your digital infrastructure to conduct their self-assessment and filing of taxes. By extension, therefore, taxpayer enumeration considerably reduces the cost of tax collection and taxpayer compliance.

Finally, it is a no-brainer that subnational governments committed to IGR expansion must prioritise comprehensive taxpayer listing and registration. It is a worthwhile investment for any state or local government as it provides the basis for more accurate revenue forecasting, revenue generation growth, and fiscal planning. The proper integration of the resulting taxpayer databases with those from other spheres of the subnational government's socio-economic life will, in no small measure, supply the intelligence it needs to design its programmes effectively. Collecting taxpayer information is not necessarily for tax payments alone. They can be used to cite public infrastructure like hospitals, schools, and roads and to set up pertinent non-physical activities for the benefit of citizens. More subnational governments can also utilise such data to obtain timely and substantially representative feedback from the citizens promptly.

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