

## Types and Use of Joint Collection of Claims Owed to Local Governments

Megumi Kashiwagi, Senior Research Fellow, The Canon Institute for Global Studies

### Introduction

This paper focuses on the joint collection of claims (under both public and private law) owed to local governments and seeks to identify the types of joint collection practices through four examples (Kyoto Regional Tax Organization; Kobe City, Hyogo; Matsuura City, Nagasaki; and Akabira City, Hokkaido).

Today's local governments often suffer more from National Health Insurance premiums delinquency (taxes) than local tax delinquency. Various outstanding claims owed to local governments, such as unpaid medical bills for public hospitals and outstanding loans to small and medium sized enterprises have become a significant issue.

Since individual claims have their own dedicated departments, it would be best if claims could be collected by their respective department. However, recent economic conditions and the financial standing of local governments have required local governments to create every possible opportunity to collect claims and make a concerted collection effort across the organization (or together with other local governments).

The claims owed to local governments have a complex structure. There are examples of public claims that can be forcibly collected as local taxes, such as National Health Insurance premiums, nursing care insurance premiums, and day nursery fees. Another kind of public claim are those that cannot be forcibly collected, such as refunds of public assistance benefits and kindergarten fees. The latter are claims under private law, such as public housing rent, water charges, and loans. The approach to delinquencies depends on whether they are public claims subject to compulsory collection.

However, whether under public or private law, claims owed to the local government are simply viewed as debt payable to the local government from the viewpoint of the residents. In fact, few residents may understand the real structure of the claims as managed by the local government. Therefore, it would be more convenient to the residents if they could make all payments to the local government in one place. A single bill listing every outstanding payment to the local government for example would also be helpful.

The author believes that all kinds of claims owed to a local government should be consolidated into a single type of public claim that can be forcibly collected. Even if this is not viable, centralized collection is recommended because collection can technically be unified. Likewise, the author believes that joint imposition is viable if data transactions can be shared just like the different airlines work together in areas such as mileage cards or code share flights.

The author presented a classification of joint collection in the July 2009 issue of the monthly journal *Zei* (Tax). Since then, a number of local governments have put their original ideas into

practice, creating many methods of joint collection. This paper will attempt to introduce and explain the current collection methods being used by local governments.

#### I. Classification of joint collection of claims owed to local governments

As opposed to “independent collection,” where individual creditor departments of a local government collect their own outstanding claims, “joint collection” in this paper refers to any form of collection that is not completely independent and that is conducted in cooperation with other departments within the same government or with other local governments. Joint collection consists of “centralized collection” and “joint collection” in a narrow sense. Centralized collection can be subdivided into “full transfer,” in which all the claims are transferred, and “partial transfer,” in which some of the claims (e.g., specific types of claims, such as large or potentially uncollectible claims, or a certain number or proportion of the total claims) are transferred. Administrative associations and inter-city alliances basically use the approach of centralized collection.

As opposed to centralized collection, joint collection in a narrow sense emphasizes the concept of collaborative collection. In joint collection, although some organizations make partial transfers of claims, most do not fully transfer them. An emerging type of joint collection is what is called “joint claim management,” which involves collaboration only in claim management, as in the case of Kobe City.

The definition of joint imposition in this paper conceptually includes the sharing of taxation, although joint taxation is actually limited to “jointly handling taxation affairs” because taxation rights belong to the local government.

Japan has a long history of joint collection, which dates from around 1955. Administrative associations such as the Okayama Prefecture Municipal Tax Affairs Association and the Koka Wide Area Administrative Association in Shiga Prefecture were established between 1955-64. Wide area local public bodies emerged from the 1990s. In April 1998, the Tottori Chubu Furusato Inter-city alliance was established, followed in April 2001 by the Ibaraki Tax Claim Control Organization, in which all the municipalities within the prefecture participated, and in April 2004 by the Mie Outstanding Tax Recovery Authority. The first of the discretionary organizations dedicated to joint collection, an increasingly common type of collection agency, was the Kagawa Delinquency Management Promotion Organization, which was formed in 2005. The first effort toward centralized collection was made by the Bureau of Taxation of the Tokyo Metropolitan Government, which was responsible for collection of different types of claims owed to the Tokyo Metropolitan Government from July 2004 to March 2008.

Why has joint collection become so popular? The purpose of joint collection varies from local government to local government, but joint collection practices can be divided into two types: collaborative and independent approaches. In the collaborative approach, prefectural or municipal governments that want to introduce joint collection (or taxation) on permanent basis form a new informal organization. Recognizing that they can no longer perform collection by themselves under

the circumstances, multiple local governments make a voluntary decision to cooperate in collection as a last resort. This has been the cause for many local governments shifting to traditional joint collection dating from the 1950-60s. Another factor behind the collaborative approach is the increase in municipal tax delinquency as a result of tax revenue source transfer. Law requires that the municipal tax, which is the prefecture's revenue source, be collected by municipal governments together with the municipal tax. This makes the municipal tax exempt from direct collection by prefectural governments, just as the local consumption tax is. Although there have been cases where the prefectural government directly collects the municipal tax under Article 48 of the Local Tax Act, collaborative collection of the municipal tax between the prefecture and its municipalities would benefit both governments. This has been the major driving force of the rapid shift to joint collection.

By contrast, the independent approach builds on the policy that collection should be performed by individual local governments. It involves the formation of a time-limited organization that collects claims while providing education and training for fostering independence. An emerging trend in the past few years is an effort to increase collection capacity through collaboration within the local government or among different local governments. As mentioned earlier, local governments, especially municipal governments, must handle a wide variety of claims, public and private alike, and therefore they face the need to create every possible opportunity to recover claims and make an organization-wide collection effort.

Table 1 shows a classification of current joint collection practices based on the definition in this paper. It identifies 12 types of practices, while there were seven in the classification performed in 2009.

The collaborative approach can be subdivided into "prefecture-municipality integration" and "cross-municipality collaboration" types. Prefecture-municipality integration takes the form of an inter-city alliance, while cross-municipality collaboration can be administrative associations or inter-city alliances that are organized as a result of municipalities' natural realization of the need for joint collection. Recently a new type of approach emerged in Kashima and other four towns in Kumamoto Prefecture. They created a mechanism called a "mutual staff dispatch scheme among neighboring towns," which involve no established organization.

Table 1. Joint collection types

	Purpose	Organization	Activities	Examples	Remarks
Collaborative	Prefecture-municipality integration	Inter-city alliance	Joint handling of tax affairs, centralized collection (full transfer)	Kyoto Regional Tax Organization	
			Centralized collection (partial transfer)	Shizuoka Local Tax Arrearage Settlement Organization, Nagano Prefecture Outstanding Tax Collection Organization	
	Cross-municipality collaboration	Administrative association	Centralized collection (partial transfer)	Okayama Prefecture Municipal Tax Affairs Association, Koka Wide Area Administrative Association, etc.	
		Inter-city alliance	Centralized collection (partial transfer)	Tottori Chubu Furusato Wide-Area Union, Shiribeshi Region Union	
Independent	Prefecture-led	Discretionary organization	Joint collection (partial transfer)	Okayama Prefecture Delinquency Management Promotion Organization	Time-limited organization in many cases
			Partial affairs association	Centralized collection (partial transfer)	Ibaraki Tax Claim Control Organization, Wakayama Local Tax Collection Organization
	Municipality-driven	Division or office	Joint collection (no transfer)	Kumamoto Prefecture Local Tax Collection Group (since 2010), Tochigi Prefecture Local Tax Collection Group	Time-limited organization in many cases
		Discretionary organization	Joint collection (no transfer)	Kagawa Delinquency Management Promotion Organization	Time-limited organization in many cases
	Integrated tax and fee collection across the government	Division/office or private organization	Joint collection (partial transfer)	Tokyo Metropolitan Government Bureau of Taxation (since 2007); Matsuura City in Nagasaki	Time-limited organization in many cases
			Joint claim management (no transfer)	Kobe City	
	Intra-municipality collaboration on private claims	Individual divisions	Joint collection (no transfer)	Akabira City in Hokkaido	

Source: Compiled by the author based on Kashiwagi (2009).

The independent approach is often used with the goal of moving to independent collection by individual local governments in the future and therefore temporary organizations are formed in most cases. This approach can be divided into “prefecture-led” and “municipality-driven” types, depending on the attitude of the prefectural government. Another type of independent approach is called the “integrated tax and fee collection across government,” in which taxes and fees are jointly collected across all the departments of the local government. This is mainly used by municipal governments. Some municipalities set up a special division or office for this, while others establish a discretionary organization. In many local governments, outstanding claims are partially transferred to such organizations depending on the schedule, type and value. Some local governments, like Kobe City, have taken unconventional approaches to claim management whereby claim management officers provide guidance and support with no claims transferred. In a recent example in Akabira City, Hokkaido, instead of the tax division, the housing section of the construction division, which is responsible for collecting public housing rent and other claims under private law, took the initiative in launching a joint collection effort together with other creditor divisions of claims under private law.

These examples show that joint collection has developed in many different ways in accordance with the situation and the aim of the local government. Subsequent chapters examine activities in the Kyoto Regional Tax Organization; Kobe City, Hyogo; Matsuura City, Nagasaki; and Akabira City, Hokkaido.

## II. Kyoto Regional Tax Organization’s effort

The Kyoto Regional Tax Organization is the only inter-city alliance undertaking joint taxation and collection activities for Kyoto Prefecture and its 25 municipalities (all the municipalities except

Kyoto City). It started joint taxation on corporations in FY 2012, becoming Japan's first full-scale collaboration for taxation affairs.

The Organization was established in August 2009 and commenced operation in January 2010. It took the form of an inter-city alliance as an incorporated organization was determined to be more suitable for handling both municipal and prefectural taxes and conducting tax administration.

Its business consists of the joint transaction of tax affairs concerning local taxes on corporations (including acceptance of tax forms, tax calculation and inspection) and the collection of local taxes and the National Health Insurance premiums (arrears settlement).

#### (1) After establishment

After establishment, the Organization assigned 13 officers (eight from the prefectural government, five from municipal governments) to make preparations for operation and launched joint collection partially in January 2010. To settle 250 major arrears (worth ¥5 million or more each), a task force of five officers was formed within the Organization's headquarters; six local offices were set up to settle 500 arrears jointly owed to the prefecture and municipalities.

With the full-scale launch slated for April 2010, the staff was increased to 186 (100 from the prefecture, 86 from municipalities) and all the outstanding claims were transferred to the Organization. Furthermore, a "Reminder Center" opened in September 2010 to provide reminder calls and letters with respect to about 70,000 outstanding claims worth less than ¥50,000 each, including the automobile tax, light vehicle tax, and inhabitant tax.

Table 2 shows the results for FY 2010 and FY 2011. In FY 2010, outstanding claims worth ¥29,319 million in total were transferred to the Organization, and ¥10,207 million was collected (34.8% receiving rate); in 2011, the transfer amount was ¥28,847 million, and ¥11,775 million was collected (40.8% receiving rate). Given the Organization's annual budget being ¥2.0 billion, the cost-benefit ratio is more than 10.

Data on the collection rate shows that the overall collection rate for the municipalities increased (see Table 3). The rate rose in eight out of 26 municipalities in FY 2010 and in 21 municipalities in FY 2011. Among the 21, ten municipalities achieved their highest rates since FY 2007.

As for delinquency cases were successfully settled, 4,633 cases were successfully settled in FY 2010, resulting in the receipt of ¥389 million. In FY 2011, 7,068 delinquencies were subjected to successful settlement, allowing the Organization to recover ¥664 million. Successfully settled cases in the form of garnishment of bank deposits and life insurance policies grew in particular. Internet auction was frequently used for public sale. Sixty-three items were sold this way in FY 2010, leading to the recovery of ¥45.57 million, and 110 items in FY 2011, leading to the recovery of ¥40.61 million. The year-end arrears decreased by ¥2,028 million, from ¥19,112 million in FY 2010 to ¥17,073 million in FY 2011 (see Table 4).

Table 2. Collection results for the Kyoto Regional Tax Organization (FY 2010-2011)  
(in millions of yen, %)

Fiscal year	Transfer amount (a)			Collection amount (b)			Collection rate (b/a)		
	Present-year tax	accumulated arrears	Total	Present-year tax	accumulated arrears	Total	Present-year tax	accumulated arrears	Total
2010	12,101	17,218	29,319	6,867	3,340	10,207	56.7	19.4	34.8
2011	11,904	16,943	28,847	7,753	4,022	11,775	65.1	23.7	40.8
Change	-197	-275	-472	886	682	1,568	8.4	4.3	6.0

Source: Kyoto Regional Tax Organization.

Table 3. Changes in the collection rate (FY 2007-2011) (in %)

Fiscal year	Municipalities in Kyoto Prefecture (except Kyoto City)			Kyoto Prefecture		
	Present-year tax	accumulated arrears	Total	Present-year tax	accumulated arrears	Total
2007	98.4	15.9	93.4	99.1	29.1	98.0
2008	98.2	17.3	93.3	99.2	35.2	97.9
2009	98.3	18.6	93.2	98.8	31.7	97.2
2010	98.4	19.4	93.3	98.7	35.0	96.8
2011	98.6	23.6	94.1	99.0	34.3	97.2

Source: Kyoto Regional Tax Organization.

Table 4. Year-end arrears and successfully settled (FY 2010-2011)  
(in millions of yen)

Fiscal year	Arrears	Settlement of arrears					
		Conversion into cash/rescheduled collection	Seizure	Request for share distribution (incl. participation in seizure)	Suspension of settlement for delinquency	Losses through non-payment	Other
2010	19,112	141	2,193	1,084	1,186	1,584	12,924
2011	17,073	172	2,250	1,127	1,300	1,513	10,711
Change	-2,039	31	57	43	114	-71	-2,213

Source: Kyoto Regional Tax Organization.

## (2) Joint taxation efforts

Recognizing that joint collection was becoming successful, as the above data showed, the Organization decided to take the next step of jointly handling tax affairs. A Corporation Tax Division was set up in April 2012 to launch a tax return center (with a staff of 31 officers, among 217 across the Organization). The Organization now universally provides tax-related services for its member local governments with regard to the prefectural inhabitant tax on corporations, the enterprise tax on corporations (including special local corporation tax), and the municipal tax on corporations, including sending and receiving tax forms and registering and investigating filed tax returns. Servers for electronic tax returns have been jointly installed costing the Organization ¥400 million annually.

As of August 2012, the Organization has sent 50,594 tax forms and accepted 43,562 tax settlement claims for the prefecture and 16,626 for the member municipalities that make the total of 60,188. As

of the end of October 2012, the total number of corrections/ruling and additional charges reached 2,671 (2,349 for the prefecture and 322 for municipalities). The Organization also investigates unregistered corporations. As of the end of October 2012, the Organization has received ¥10.78 million in self-assessed return from ten corporations taxable by Kyoto Prefecture and ¥0.69 million from one corporation taxable by a municipal government. Collaborative operation also contributed to the increase in the number of electronic tax returns.

This is how joint taxation started in Kyoto. Now, local governments are now considering expanding the scheme to the municipal tax and vehicle-related taxes in the future, envisioning complete joint taxation through an integrated tax affairs support system.

### III. Effort by Kobe City, Hyogo

In FY 2008, Kobe City formed a temporary project team called the Kobe City Claim Management Promotion Task Force and made intensive efforts for three years up to FY 2010. At the time, Kobe City had ¥45.1 billion in arrears, including ¥12.4 billion in unpaid municipal taxes, ¥16.0 billion in outstanding disaster relief loans, and ¥8.7 billion in unpaid National Health Insurance premiums.

The scheme of Kobe City can be characterized as being cross-organizational, where individual divisions are fundamentally responsible for claim management despite the presence of the newly established organization. Such a large local government attempting to strengthen claim management through a “Kobe-wide” effort under the leadership of the head of the Task Force (served by the Mayor) was an unconventional approach. This example demonstrates that even a large local government can take a concerted, cross-departmental approach.

Kobe City adopted this cross-departmental project with the intention of sharing know-how across the government instead of letting individual creditor sections independently carry on collection; allowing claim collection activities to gain momentum; and increasing motivation. Since Kobe City had been taking a cross-departmental approach to attracting enterprises and promoting tourism, the Mayor conceived the idea of applying a similar method to claim collection.

The Kobe City Claim Management Promotion Task Force was a large organization, consisting of 72 staff (26 members of the Task Force Meeting, 23 Core Team members, 13 advisors, 10 bureau-specific promotion team members). The Tax Collection Division, which served as the Secretariat, played a significant role in making the organization work effectively by providing close assistance.

The first task for the Task Force was to understand the current situation. Interviews were conducted on all the claims (approximately 170 types).

To enable each bureau to reliably manage claims, the Secretariat began its guidance from the introductory level, such as reminders and notification calls. Workshops were held to create templates of relevant documents and store them in the intranet. The Secretariat Division assisted Task Force members by responding to requests to correct documents via email, giving advice to callers with questions, and accompanying collectors to sites. In the course of this, the Secretariat consciously

maintained a supportive attitude because they wanted to foster independence rather than lead the activities. Except in the case of template creation, which the Secretariat led, the Secretariat provided concrete guidance only when asked by divisions on their own initiative. To ensure collaboration and foster solidarity within such a large organization, the Secretariat distributed, for three years, regular email containing minutes of Task Force Meetings or information on newly created templates or model practices.

Although the basic policy was that the Secretariat did not lead, instructive guidance was provided in some cases, such as suggesting that uncollectible claims be written off as losses through non-payment and that contract documents be reviewed in consideration of claim management and potential legal action after making a contract. In addition, reminder calls and claim collection tasks were partially commissioned to private contractors.

This approach has proven successful for Kobe City. Even departments that had never proceeded to compulsory collection or legal action before began taking proceedings against delinquencies (seizure of assets) and petitioning a summary court for payment demands.

As a result, Kobe City's arrears decreased from ¥45,142 million at the end of FY 2007 to ¥40,972 million at the end of FY 2010. The city government successfully achieved a ¥4.2 billion reduction in outstanding claims in three years, although having fallen short of meeting the reduction target.

Since the planned three-year period has expired, the structure is now defunct, with its general functions taken over by the Tax Collection Division. However, interviews with the Mayor and the Deputy Mayor and Task Force Meetings are still conducted.

#### IV. Effort by Matsuura City, Nagasaki

The project of Matsuura City, Nagasaki, is evidence that even a small team can carry out joint collection. The policy of Matsuura City is that although intervention is provided in order to improve the stalled delinquency settlement rate through the division-level approach, the responsibility for collection still lies in individual divisions. The city government has no intention of making a full transfer of the claims, so there will be no centralized collection. In April 2009, Matsuura City set up the Collection Management Office, a temporary organization aimed at raising awareness among the creditor divisions and improving their collection knowledge and technique. The Collection Management Office was staffed by only one person, a senior staff member. This officer built Matsuura City's arrears collection structure only with the help of the Deputy Mayor. The project in Matsuura City was essentially carried out by this team of two. In FY 2011, when the function of the Collection Management Office was transferred to the Tax Division, the officer was joined by an experienced staff member, bringing the number of the dedicated staff to two. However, the Collection Management Office was dissolved after achieving reasonably results, and similar support has been provided for the city's creditor divisions by a discretionary organization called the Arrears Collection Organization in May 2012. This Organization takes legal action on arrears forwarded to it.

(1) Activities in FY 2009

The first step taken by the Collection Management Office was to understand the current situation. An “Arrears Management Meeting” was held once every two months, where individual creditor divisions were required to report the state of arrears, including the presence of manuals and ledgers and how they managed arrears.

The Deputy Mayor and the officer in charge interviewed every creditor division twice to identify problems and provide guidance on future management. For example, they discovered that one division was unable to collect outstanding public house rent even after taking dispossession proceedings. Through information gained in interviews, the officer felt the need to change such situations. The officer also realized that moving to legal delinquency settlement was hardly possible without appropriate ledger management and reminders also that an understanding of the law and its relationship with claim management were essential to making progress.

To address these needs, the Collection Management Office provided staff training and gave each division guidance on claim management and the write-off of losses through non-payment. At the same time, to enable appropriate claim management, the Office formulated an ordinance that provides for cancellation of uncollectible claims, which was passed by the city council in December 2009. Matsuura City, which was second only to Hirado City within the prefecture to enact a claim management ordinance, has been canceling claims accordingly since FY 2009.

(2) Activities in FY 2010 and FY 2011

In FY 2010, the city began addressing delinquency settlement by means of legal action and compulsory execution mainly on claims that had not been recovered through settlement efforts since FY 2009. Additionally they organized special meetings and provided guidance on practices. There was also an increase in the number of claims that were successfully collected through onsite searches by the Tax Division, a program initiated in the previous year in which officers from other creditor divisions accompanied Tax Division officials for a search. In addition, workshops to learn from pioneering practices in other local governments were held in order to change the mindset of staff.

In FY 2011, the function of the Collection Management Office was transferred to the Tax Division, bringing the number of the dedicated staff to two from one. A delinquency settlement system was put into use, allowing the centralized management of delinquent information. To strengthen legal action and compulsory execution, the city developed a three-year arrears reduction plan with rigorous collection targets, in addition to the single-year collection plan, and organized 13 meetings to discuss specific claims individually.

Table 5 shows the results of these efforts. The claim management ledger was completed in the first year, followed by the completion of all collection manuals in FY 2011. Cancellation of claims and the write-off of non-payment losses were addressed from the first year, and legal action from the second year.

Table 5. Accomplishments of the Collection Management Office (FY 2009-2011)  
(in number of cases and yen)

		FY 2009	FY 2010	FY 2011
Entry in claim management ledger		Completed for all claims		
Collection manual development		Completed for 10 out of 20 claims	Completed for 18 out of 20 claims	Completed for all claims
Cases subjected to legal proceedings to settle arrears		3 (Urban Planning Div.)	5 (Urban Planning Div.)	11 (Urban Planning Div.) 2 (Water Supply and Sewerage Div.) 1 (Welfare Office) 20 (General Affairs Div.)
Cancellation of claims	Cases	11 claims (2 divisions)	101 claims (3 divisions)	82 claims (2 divisions)
	Value	420,025	2,072,338	2,334,780
Write-off of losses through non-payment (private claims, etc.)	Value	5,968,947	2,972,402	986,696
Legal action	Cases		2	32
Payment demand among the above	Cases		2 (One was changed to ordinary claim)	26 (Four were changed to ordinary claims)
	Value			
Collection through compulsory execution	Cases		2	3
	Value		1,067,950	399,255
Collection by arbitrary method, e.g. installments	Cases	1	3	18
	Value	70,000	386,558	4,112,975

Note 1: The figures refer to the claims that were collected through direct involvement of the Collection Management Office.

Source: Data from Matsuura City.

The city's arrears fell from ¥785.85 million in 2008 to ¥55.37 million in FY 2011, through a successful cut of ¥67.33 million in FY 2009 (the year when the Collection Management Office was established), by ¥98.57 million in 2010 and by ¥114.58 million in FY 2011 (the FY 2011 initial budget for Matsuura City was ¥16.7 billion). The Tax Division was the driving force of this success. The Tax Division served as the secretariat of the Arrears Management Meeting in FY 2008. In an attempt to exercise leadership in the project, the Tax Division took stronger proceedings against delinquency, including house searches, resulting in a significant reduction in arrears in both municipal taxes and the National Health Insurance tax.

Through a government-wide effort toward closer claim management and stricter delinquency settlement, the outstanding balances in childcare fees, nursing care insurance premiums and house rent gradually decreased. The establishment of the Collection Management Office led to collaboration with the Tax Division, allowing the use of collaborative collection methods such as seizure on the basis of claims under private law, followed by a request for share distribution by the Tax Division.

#### V. Effort by Akabira City, Hokkaido

The case in Akabira City, Hokkaido, demonstrates that even the Assistant Manager of the Housing Section of the Construction Division can succeed in cost-effective claim collection. The Assistant Manager, who had once worked in the Tax Division, turned the handicap of a lack of enforceability to his advantage by fully understanding the system and by being creative.

When demanding past due payments, Akabira City combined these claims with other outstanding payments, such as water charges and healthcare charges (see Table 6). This collection of claims

made the process more efficient and effective. There are three types of legal action on claims under private law: institution of an action, an action on small claims, and payment demand. After some practical experience, the Assistant Manager found that payment demand was the simplest way of collection. The Assistant Manager also knew that paperless proceedings were available. This combined demand is a new approach readily available to local governments of all sizes as it allows for collaboration without the need for establishing an organization.

Table 6. Patterns of combined demands (as of November 30, 2012)

(in number of cases and yen)

Proceeding	Combination pattern	Cases	Non-rent	Outstanding rent	Expenses	Total
Payment demand (billing rent, etc.)	House rent & raw sewage treatment fees	1	5,100	275,000	12,330	280,100
	House rent & water charges	25	2,195,813	7,273,003	201,110	9,468,816
	House rent, water charges & raw sewage treatment fees	1	89,238	506,000	4,930	595,238
	House rent, water charges & parking rent	1	36,452	320,000	3,930	356,452
	House rent & parking rent	5	390,089	1,574,966	17,770	1,965,055
	House rent, water charges & healthcare fees	1	86,682	193,481	3,430	280,163
	House rent, water charges, raw sewage treatment fees & healthcare fees	1	418,734	859,900	7,930	1,278,634
	Subtotal	35	3,222,108	11,002,350	251,430	14,224,458
Institution of action (for dispossession, etc.)	House rent, water charges & parking rent	1	180,854	1,367,800	36,000	1,548,654
	Subtotal	1	180,854	1,367,800	36,000	1,548,654
	Total	36	3,402,962	12,370,150	287,430	15,773,112

Note 1: The claims subject to combined demands are rent (housing, parking and building), water charges, healthcare fees, and raw sewage treatment fees. Settlement efforts focus first on small claims, such as healthcare fees, raw sewage treatment fees, and water charges. The combined demands for outstanding claims with different periods of expiry, such as two, three and five years, allows those claims to be collectively managed as having the same ten-year period of prescription (Article 174-2 of Civil Code).

Source: Data from Akabira City.

The most noteworthy aspect of Akabira's effort is cost. As Table 7 shows, the collection of ¥25.37 million cost only ¥865,814. With respect only to combined demands, the cost of collecting ¥7.10 million was only ¥287,430. The Assistant Manager in Akabira City was able to find this solution because of the constant awareness of cost effectiveness. This is an excellent approach that even a small local government could readily use.

Table 7. Results of collection through court proceedings (as of November 30, 2012)

(in number of cases and yen)

Category	Cases	Outstanding rent	Amount collected	Expenses	Collection rate	Note
Repair costs (*2)	1	358,858	0	7,500	0.00%	Improper receipt of public assistance benefits-->Suspension of benefits-->Job seeking
Demand for rent (*3)	87	29,940,933	18,271,162	570,884	61.02%	Gradually increasing, mainly through reconciliation
Combined demand (*1)	36	12,370,150	7,100,165	287,430	57.40%	Resolution of non-rent arrears first, mainly through reconciliation
Total	124	42,669,941	25,371,327	865,814	59.46%	

Source: Data from Akabira City.

The collection rate of housing claims in Akabira City substantially improved, especially regarding the collection of accumulated arrears from previous years. The collection rate for the rent for public housing (previous year) increased from 18.83% in FY 2004 to 41.01% in FY 2010, and that for the rent for improved housing (previous year) from 16.82% in FY 2004 to 35.06% in FY 2010. Improvement was also made in the revenue from building rental (previous year) from 9.01% in FY 2004 to 49.05% in FY 2011.

Today, collaboration in collection is not limited to the Housing Section but extends to such organizations as the Management Section of the Water Supply and Sewerage Division and the School Education Section of the School Education Division.

## VI. Conclusion: Keys to joint collection

### (1) Key actions before implementing joint collection

Important activities before launching a joint collection project are (i) setting the goal, (ii) forming an organization capable of achieving the goal, and (iii) preparing before implementation.

#### (i) Setting the goal

Setting a vision is identifying the objective of joint collection. The vision also serves as guidelines that organization members always follow and that the organization uses for self-assessment.

A clear vision shows the goal for the organization to pursue, whether the organization consists of different local governments or different group of a government. It fosters solidarity in the organization by allowing the staff to share views and making it easy to work and communicate with one another. Starting with an unclear objective will require individual members to think about what is expected as they work, leading to inefficiency. This can also undermine the purpose of joint collection itself as initial members may be replaced over time.

A vision should be thoroughly discussed in detail until a clear, justifiable one is defined. In other words, an organization should not embark upon collection until a clear vision is formulated, no matter how long it takes. This must involve setting some form of philosophy, a goal that is uncompromising and that the organization is strongly committed to. In the case of the Kyoto Regional Tax Organization, the goal was to establish a single integrated payment site for all taxes for the benefit of the citizens throughout Kyoto Prefecture.

#### (ii) Forming an organization capable of achieving the goal

The next step is to form an organization for achieving the defined vision.

A concern felt recently by local governments considering joint collection are the possibility employees following different agendas as a result of joint collection. This conflict specifically refers to the risk that divisions freed from collection responsibilities through joint collection may provide loans and benefits more easily. Many local governments feel the urgent need to collect arrears,

recognizing that if their employees fail to collect arrears, it constitutes tolerance and a violation of law; yet at the same time they want to avoid a conflict. An increasing number of local governments are setting up temporary organizations, as the cities of Matsuura and Kobe did, and transfer either partial or no claims to them. Kobe City decided to share only claim management. Matsuura City established a time-limited organization that was due to dissolve after a specified period of time in order to prevent individual divisions from growing dependent on it. Based on experience, Matsuura City concluded that creating a section like the Collection Management Office is a better approach than setting up a discretionary organization, because it is easier for such an internal section to gain understanding from the court and the gallery during court proceedings, as well as to provide guidance for other divisions within the local government. Also finding that collection through a cross-departmental organization can contribute to delinquency prevention among residents, the city advocates the approach based on such an organization.

As mentioned in Chapter 1, a special organization can take any form as far as it serves as a body to achieve the vision. Both Matsuura and Kobe Cities pursue an independent local government where individual creditor divisions are responsible for collection, they chose to establish organizations that could help them reach that goal. The Kyoto Regional Tax Organization chose to form an inter-city alliance with the aim of implementing joint taxation and joint collection across a large region. As these examples show, creating an organization best suited to the vision being pursued is essential.

### (iii) Preparing before implementation

Once the preparation phase starts, attention should be paid to the completeness of preparations and motivation of employees. Since infrastructure is also important for implementing joint collection, the integration of computer systems is required. Tax transactions involve the processing of large amounts of information, and incorrect data entries can easily undermine confidence in the local government. This indicates how important computer systems are and how success depends on data integration. Data integration systems need to be designed to keep the data constantly accurate.

In addition to this, these three aspects, building a mechanism is critical before launching a joint collection project.

## (2) Key elements after the start of joint collection

Once joint collection starts, the organization must constantly adapt. Schedules must be set and actions must take place as scheduled. Problems must be solved as they occur. The project should be carried out through the repetition of this cycle. The key elements are (i) accurate data sets, (ii) standardization of operations, and (iii) claim management.

### (i) Accurate data sets

Collection operations involve the processing of large amounts of data, as mentioned above. This makes the accuracy of the data a prerequisite. For example, the Kyoto Regional Tax Organization checks the data on a daily basis to avoid data errors and verifies the data three times a year.

(ii) Standardization of operations

Since joint collection involves the handling of a variety of claims, the steady execution of routine work facilitates prompt collections. Standardizing claim management is also necessary to eliminate variation between different claim types or between staff members. In a joint collection project in which different local governments participate, standardization can be difficult because procedures vary from one local government to another. Standardization in a joint collection project within a single local government can also be complex because each type of claim follows a particular collection procedure. Nevertheless, constant efforts toward standardization are necessary. In the case of the Kyoto Regional Tax Organization, which has had difficulty establishing standard procedures because it consists of different local governments, old-style collection procedures originating from member organizations still remain in certain areas even in its third year of operation. Yet the Organization continues standardization efforts. Such practices are crucial.

(iii) Claim management

Focusing on claim management is crucial not only in joint collection but in any type of collection activity. Attention should be paid to solving initial delinquencies in their early stages in order to prevent arrears from accruing.

The key process in claim management is progress monitoring. An effective approach in negotiations with delinquents is setting a time limit for any agreements, including not just payment agreements but even minor agreements and requests, and constantly checking that they are kept. Sharing information across the organization is also important to ensure appropriate response to unexpected calls or visits by debtors.

An important factor in successful joint collection is to create an organizational culture where every member thinks about how to reduce the overall outstanding balance owed to the organization rather than the arrears under his or her responsibility. Once assigned to manage collection, one should seek to decrease arrears during the assignment period with strong determination and be ready to take legal proceedings whenever necessary.

(3) Collection of claims under private law

The final section addresses the collection of claims under private law. Local government employees who have been transferred from the tax division to a department collecting claims under private law where a certificate of tax collection is not available, may feel a lack of authority at first due to the absence of the certificate. However, if they learn about the collection of claims under private law as in the case of Akabira City, they can develop a range of measures for collection. They can succeed by being innovative and could even implement the joint collection of claims under private law.

A key to successful collection of claims under private law is to understand the features of the

claims involved. A good understanding of the features of the work is a first step toward the collection of arrears. A civil servant does not necessarily need to feel powerless if transferred to the private claims section.

The tax division is the most suitable organization for the joint collection of claims under private law because its staff members are certified as of tax collectors. However, without forming this kind of organization, even a single official can perform collection depending on learning and experience. One can enhance ones abilities by acquiring the knowledge of document preparation procedures and by accumulating practical experience.

#### Reference

Megumi Kashiwagi (2009), “Current State and Future Direction of Joint Collection by Local Governments,” *Zei (Tax)*, July 2009 issue.