

Implications of Hometown Love Donation (Hometown Taxation) System to Jeju Island

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Abstract

As the low birth rate and aging phenomenon intensify, many local governments are facing a difficult situation of not only reducing population but also for securing financial resources. The national average fiscal independence is not increasing, and the fiscal gap between local governments has not been resolved.

Accordingly, the Hometown Love Donation System, which provides tax incentives for donations to local governments, was included in the current government's 100 major national tasks and roadmap for autonomous decentralization.

The hometown tax system was introduced in Japan in 2008 and has been contributing to securing financial resources of local governments, and has been contributing to regional development in recent years by using local specialties as return products, but concerns about overheating of competition are also growing. In Korea, the National Assembly and local governments have continuously reviewed the introduction of the hometown tax system.

In addition, it is proposed to organize and operate a research conference about the suitability of the environment of Jeju in order to minimize trial and error in the introduction and implementation of the system based on the case of Japan's hometown tax, taking into account domestic and Jeju special self-governing conditions.

In the future, further research is needed in policy making and related systems for the donation deduction system.

Key words :

Homecoming Love Donation, Hometown Tax, Returned Goods, Jeju Special Self-Governing Province. deduction system.

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Preface

The reality of what Korea faces is that the concentration of the population in the metropolitan cities and metropolitan area has been increasingly accelerated, and is on the brink of a population cliff due to the rapid progress of low birthrate and aging population, and the village community is collapsing. Local autonomy and fiscal decentralization are being hampered by poor local finance, which has already been burdened with soaring welfare costs.

According to the “2019 Local Government Fiscal Indicators Analysis” by the Ministry of Public Administration and Security, Jeju’s financial independence¹ has maintained an increase of 36.4% in 2015, 38.2% in 2016, 39.6% in 2017, and 42.5% in 2018, but decreased to 36.5% in 2019.²

Of the 17 cities and provinces nationwide, there were only 5 places with lower fiscal independence than Jeju Island: Chungbuk (35.9%), Gyeongbuk (31.9%), Gangwon (28.6%), Jeonbuk (26.5%), and Jeonnam (25.7%). The national average was 51.4%. Fiscal independence³ also increased to 68.6% in 2015, 69.4% in 2016, 71.8% in 2017, and 74.8% in 2018, but then fell to 70.9% in 2019.

In the case of Jeju Island, it is analyzed that its own tax revenue, including property taxes, which account for a large portion of local taxes, are expected to continue to shrink due to the prolonged slump in the construction industry and the real estate market. Accordingly, efforts such as expanding the tax base and discovering new local tax sources are expected.

Although more than 24 years have passed since the resurrection of the popularly elected autonomy system in 1995, efforts to discover new financial resources to expand the finances between local governments are continuing as the financial imbalances intensify. Therefore, The Japan’s hometown tax system has recently given significant implications to local governments to improve local fiscal difficulties, It is the reason why Japan’s “hometown (Furusato) tax system (hereinafter referred to as the hometown tax system)” is drawing attention.⁴

1) It refers to the percentage of the total budget that it earns itself.

2) Kim Ji-woo. Jeju Island’s fiscal independence, which had been on the rise, is also deteriorating, Jeju Ilbo, 2019.4.23.

3) It refers to the proportion of resources that local governments can use independently with discretion because no specific purpose has been set in the total revenue.

4) In Korea, it is used as the hometown donation system or hometown donation system, and in Japan it is used for hometown tax or hometown tax (redundant phrases, check translation again).

As the hometown tax system (2008) was evaluated as being successfully established over time, it began to be recognized as an alternative for balanced regional development in Korea in order to reduce the fiscal gap between large cities and local governments, and to solve the problem of financial shortages in rural and fishing villages.

Therefore, it seemed that the introduction of the “Hometown Love Donation System,” which grants tax benefits to local governments, was included in the current government’s 100 major national tasks and road map⁵ for autonomous decentralization, and the road map “Passing the 2018 Hometown Tax Bill to the National Assembly, Implementing 2019,” seemed to have become a fait accompli. At the beginning of the discussion about the system, there were many names for the “hometown tax” system, but the current government is promoting it as “hometown love donation system”.

In Korea, local governments and politicians are also raising concerns and demands for the introduction of the Japanese hometown tax system. Nevertheless, many problems can arise in applying Japan’s hometown tax system as it is to Korea without filtration. Therefore, it is necessary to carefully review the positive and negative (advantages and disadvantages) of the hometown tax system itself and introduce a hometown tax (hometown love donation) that maximizes its strengths. Moreover, since the discussion on hometown tax was raised before the academic world in politics, the work of verifying the policy effect must be carried out, and it is necessary to identify and establish the nature of hometown tax academically. Therefore, it is necessary to first carefully analyze and consider the problems of Japan’s hometown tax system and how it has been developed. Therefore, it would be desirable to analyze the hometown tax (Furusato tax) system, which has been promoted as part of the policy to save the region, and to find a “Korean Jeju Hometown Tax” system that fits Jeju’s situation.

Existing research on the Hometown Tax System

Concept of hometown tax system

The nature of Japan’s hometown tax system is a kind of tax credit (income deduction) that reduces

5) Ministry of Public Administration and Security, “5 Years of Local Autonomy Decentralization: Announcement of Roadmap for Autonomy Decentralization,” Press Release, 2017.10.27.

or exempts both national tax (income tax) and local tax (resident tax) at the same time if you "donate" part of the resident tax of 2,000 yen or more to your hometown.

Basically, if the resident tax is to be paid in installments to other regions, the tax administration process is difficult and there is a possibility of problems, and the tax administration system is composed of payment to the local government where it currently lives.

Therefore, we initially reviewed a method that allows the taxpayer to directly "transfer (pay in installments)" up to 10% of residents' tax to other regions. The 'donation tax credit' method was adopted, which has the same effect as a tax payment (Yeom myong-bae, 2016).⁶

The concept of the hometown tax system includes the meaning of win-win in which donations (hometown tax payments) are used for the purpose of nurturing human resources and environmental protection of local governments, and a thank-you gift (return) according to the donation amount is delivered to the donor as a counter benefit. Therefore, as a system that allows taxpayers to choose "contribution (region and purpose)" and can help areas they want to support and areas in need of help as a big feature of the home tax system, local governments have appealed for the implementation of the home tax system, which has aroused the people's affection for their hometown tax system. In order to provide an opportunity to rethink where to use the tax payment system, realize the meaning of the existence of local governments, and save the declining rural areas at the same time, it is imperative to introduce a system that allows part of the tax to be paid in the form of a donation to the hometown where they were born and raised.

The Moon Jae-in administration changed the name to the "Hometown Love Donation System" instead of "Hometown Tax". According to the Ministry of Public Administration and Security, although there are many views on the hometown love donation system, if an individual contributes to a local government, it can contribute to the development of his or her hometown and receive tax deductions and other benefits. In addition, the hometown love donation system offers small but warm-hearted sharing of hometown love, the same tax deduction as the existing tax deduction method

for political donations and general donations.

Japan's Hometown love tax system

1) Research Trends in Japan

According to Shin Doo-sup and Yeom Myung-bae (2016), the term "home tax" began to be coined in Japan after the Japanese Economic Daily first published the term "home tax" in March 2006, and in October, Governor Issei Nishikawa of Fukui Prefecture advocated a political deduction for home tax donations. Therefore, the hometown taxation research group report published in October 2007 can be said to be the first starting point of academic research related to the hometown tax system. This report includes the types and methods of donation payments for the introduction of a system that is easy for local residents to understand and use, and the concept of the hometown (Furusato). In particular, the report had a significant impact on the introduction of the home tax system the following year (2008) by addressing in-depth issues such as the applicability of the donation tax system, the right to taxation, the tax income and tax burden, the coercion of taxation, and the fairness of taxation among residents in the possibility of dividing taxes.⁷ At the end of the report, it also highlighted the "role of the state" in clarifying its relationship with income tax. In other words, this report overturned some discussions that simply sought to discuss individual resident tax separately from income tax (national tax), with the main purpose of the horizontal transfer of the hometown tax system between local governments, and took a new approach to enhancing horizontal and vertical equity.

Ishigawa Itsugu (2007) introduced the atmosphere of Japan, including pros and cons over the introduction of the home tax. Based on the results of the newspaper's poll on the home tax system, 26 percent opposed the introduction of the system and 50 percent approved of it. In the metropolitan areas, (Tokyo) and Kansai (Osaka), 33% were in opposition and 46% were of approval to the home tax system, but the heads of organizations in the urban areas were opposed to it and the heads of local organizations were in favor of it, stressing that opinions are clearly divided between urban

6) Hometown tax payment is called a "hometown donation."

7) Park Gyun-jo (2008) summarizes the significance of tax payment in three ways in the revision and introduction of Japanese local tax laws. First, in order to support public life, administrative services of the state or local are inevitable. Second, it emphasizes the helpfulness of a 'hometown' in re-actualization of the importance of the people. Third, it contributes to the taxpayer's perception of change and self-government.

and provincial regions. Therefore, the head of the (Which Organization? urban or provincial? or other?) organization explains that he is opposed to decentralization because of the change in the structure of confrontation between cities and provinces. According to the data from Isagawa (2007), some of the scholars emphasized that the payment of the hometown tax is contrary to the tax principle of the principle of "income and burden".

Chika Ohashi (2015) analyzed the advantages and disadvantages of each of the three categories, along with the introduction of the hometown tax system and case introduction. First of all, the three advantages are: First, tax is deducted, second, you can receive special products (return products), and third, you can choose where to use the tax. The three disadvantages (negative aspects) are that the first is contrary to the principle of income and burden, the second is that there is a risk of overheating competition for return products, and the third is that it is not easy to know specifically where to pay taxes in your hometown. In addition, the Government Administration and Local Government Tax Department of the Ministry of Government Administration and Home Affairs released the results of a survey on the payment of the hometown in 2016.

Japan's hometown tax system is evaluated as providing a new opportunity for "local creation" and balanced regional development in rural areas by deducting income tax and resident tax within a certain limit by making donations to hometowns or areas of interest. As for the structure of the hometown tax system, if some residents' tax is paid (donated) to the local government of their own choosing, in principle, the national tax (income tax) and local tax (resident tax) are deducted from the hometown tax donation.

Although the performance was poor in the early days of the introduction of Japan's personal hometown tax system, the performance increased significantly from 2014 due to the reform of the system and the provision of return goods. However, the competition to attract home payment has intensified, with local governments offering high-priced return packages and electronic goods and gift certificates, not local specialties, as return gifts.

8) Kim Jeong-seon, "Overheating competition for Japanese local governments to attract tax payments in their hometowns, review of caps for return goods", "Yonhap News", March 5, 2017.

[Table 2] Performance of Japan's home tax system from 2008 to 2017 (Unit: 100 million yen, case)

	2008	2009	2010	2011	2012
amount	81,4	77,0	102,2	121,6	104,1
cases	53,671	56,332	79,926	100,861	122,347
	2013	2014	2015	2016	2017
amount	145,6	388,5	1,652,9	2,844,1	3,653,2
cases	427,069	1,912,922	7,260,093	12,710,780	17,301,584

Data : Japan Ministry of Internal Affairs and Communications (<http://www.soumu.go.jp>)

The biggest task of the hometown tax system is to come up with plans to revitalize the system and region. Therefore, in order to obtain a large amount of donation, local governments are actively working on developing local specialty products as return products and linking with local projects.

Recently, there are also local governments that suffer from deficits due to excessive tax deductions compared to donations⁹. Since April 2017, the Japanese government has designated the limit of return items within 30 percent of the amount of tax paid to their hometowns, and designated electronic goods and gift certificates as return items that do not meet the purpose¹⁰.

2) Evaluation of the Japanese hometown tax system

After the hometown tax system was introduced in 2008, the number of donations in Japan were poor for the first few years, but it started to grow gradually from 2013, and many achievements have been reported, in the present case, 10 years have passed. According to the 2017 hometown tax performance report by the Municipal Taxation Division of the Autonomous Tax Affairs Bureau, the Ministry of Internal Affairs and Communications, the total amount of hometown tax payment was 3,632 billion yen, an increase of 1.28 times from the previous year. The number of participation in hometown tax payments also recorded 1.36 times (17302,000 cases) compared to the previous year (12744,000 cases). Compared to 2008 when hometown tax was introduced (8.1 billion yen), the amount of hometown tax increased 45 times, and

9) Saga City 55,657 thousand yen deficit, Tosu City 20,356 thousand yen deficit (Shin Doo-Seop, "Japanese Hometown Taxation, Deficit Local Government Occurrence", Local Autonomy Trends, Korea Institute for Local Administration, 2016.11.

10) Kim Jin-woo, "Furusato (hometown) please bear with the tax payment and return items", "Weekly Trend", September 5, 2017.

the number of tax payments increased 322 times from 53,671 in 2008 to 17.3 million, 1584 in 2017¹¹.

As discussed earlier, it is evaluated that the hometown tax system has been successfully established in Japan over time. Major success factors include the reorganization of the tax system and tax administration, and the provision of return items. First of all, what served as the most important catalyst was the simplification of tax payment procedures for hometown taxes and a return offering. The amount of donations and the number of donations exploded as each local government provided gifts in return as a token of appreciation for the hometown tax, which amounts to about half of the donations. About 70 percent of donors responded that the biggest motivation for donors' donation is the receiving of "return goods," and 57 percent of local governments see "fidelity of return goods" as the biggest means of attracting home payments. Accordingly, more than 90% of all local governments are providing return products. Local governments' current return products are concentrated on local agricultural products, and rice accounts for more than half, but the return products are gradually diversifying and upgrading. Next, it is serving as a major factor that has affected the increase in home taxes through a series of simplifications of tax procedures and tax reforms that overhaul various tax environments. Since 2012, the government has lowered its self-burden from 5,000 yen to 2,000 yen, doubled the limit on special exemption for resident tax from 10 percent to 20 percent since January 2015, and created a one-stop special system that allows credit cards and electronic payments that simplify the tax process (even if five local governments pay hometown taxes) from April.

In 2015 (2014 performance), the home tax-tax deduction (net donation income) of metropolitan and provincial governments totaled 15.7 billion yen due to the efforts of the central and local governments, and local governments have also been assessed to have achieved great results, with donations from more than 10 local governments exceeding their revenues. However, not all local governments saw fiscal surpluses except for expenses in paying their hometowns, and some local governments saw deficits.

It is judged that the return product provides both drugs and poison in the home tax system, as it accounts for more than 85% of the total cost of the return item (posting and procuring) out of the expenses, the return product accounts for a large portion of the total cost. As a place to use home tax payment, the government is investing heavily in regional development, fostering educational talent, environment, and health and medical welfare.

Japan's hometown tax system has drawn social attention by allowing people with experience and attachment who lived in the region to donate as a means of regional contribution even if they did not have such experience.

Domestic Research trends

1) Research trends on the hometown tax system

Although there have been relatively many discussions on the home tax system, there are not many academic and analytical studies on it¹². The report by Park Kyun-jo (2008) introduced Japan's home tax system to Korea first. Park Kyun-jo explained the background of the introduction of the home tax system and the role of the government (both central government and local government) and predicted the possibility of introducing the system in Japan along with the main contents of Japan's revision of the Local Tax Act (2008). However, since it was before the introduction of Japan's home tax system, Park Kyun-jo's discussion on the introduction of the home tax system in Korea cannot be found in academic journals.

Since then, Moon Kook-hyun of the Creative Korea Party pledged to send 10 percent of the residents' tax to their hometowns in 2007 and the Grand National Party (currently the Liberty Korea Party) discussed the hometown tax (local development tax) as an election pledge ahead of the 2010 local elections, but the Moon Jae-in administration was the first to actively review the introduction at the central government level. (Yum Myeong-bae, 2010. Chosun Ilbo.2018). According to this period, Myung-bae Yeom (2010) published a paper in the Korean local finance journal, discussing the "Japanese" Furusato tax system and the possibility of introducing a "Korean-style" hometown tax

11) Asia Times. Minister Kim's appeal. Why is it my hometown? Why? Reporter Yoo Seung-ryul. As of March 18, 2019.

12) Data related to Japan's hometown tax system and Korea's hometown tax are searched by terms such as 'hometown tax', 'regional development hometown tax', 'farm and fishing village development tax', 'hometown donation system', and 'local development tax'.

(local development tax)" and Jonghak Won (2010), published the paper "Japanese Hometown Taxation System and Implications" in the Korea Tax Research Institute's Tax and Finance BRIEF.

Based on the Japanese home payment system, a study was published that predicted the issues arising from the introduction of the system (Wonjonghak. 2010). Myung-bae Yeom (2010) conducted an academic study on hometown tax for the first time as a scholar, to understand the expected problems of the Japanese-style hometown tax system when introducing it in Korea, and to determine the trends of changes in resident tax income (local income tax) of each local government. Based on this prediction, a plan for introducing the Korean hometown tax (local development tax) was suggested.

No more academic research was published until 2015 after Yeom Myung-bae and Won Jong-hak (2010) published their thesis on hometown taxes. However, it seems that research has continued steadily in various fields such as local governments and political circles. When the Gangwon Development Institute published a policy memo (No. 528) titled "The Case and Implications of Japan's Hometown Tax system operation" by Park Sang-heon and Lee Won-hak in February 2016, issues related to the hometown tax, which had been under little research for some time, began to gain renewed interest in the National Assembly, local governments and the media. Park Sang-heon and Lee Won-hak (2016) of the Gangwon Development Institute presented the implications of the system to Gangwon Province by analyzing the case of Japan's operation of the hometown tax system and analyzing the conditions in Gangwon Province and Korea in order to minimize trial and error in the introduction and implementation of the system. In addition, they analyzed Japan's cases of hometown tax, Gangwon-do and domestic conditions, and proposed the formation and operation of research groups that could be discussed in a policy and academic manner¹³.

Kim Dong-young (2016) and others published a research report titled "Analysis on the Introduction of Homeward Donation System and the Effect of

Local Financial Inflows" by the Jeonbuk Research Institute in April 2016. Based on the 2010 Census and the donation intent survey by the National Statistical Office, it estimated that 16 metropolitan and provincial governments would earn 394.7 billion won in home taxes. Afterwards, at the National Assembly's 'Hometown Tax Law Promotion Policy Meeting' held on June 29, 2016. First, local governments should also amend the law so that they can receive donations, and second, seek ways to share national and local taxes, but promote income deduction for (hometown donation) in any form as much as possible from national taxes. Third, simplify administration and activate the system by abolishing self-payments. and fourth, set an upper limit on return prices or prohibit the provision of return items, and Fifth, it has been proposed to differentiate the income deduction rate by region by calculating the support index for donations.

Shin Doo-sup and Yeom Myung-bae (2016) analyzed the trends and pros and cons of the introduction of the Japanese home tax system and proposed policy considerations when introducing Korea. However, research on where the fundamental factors of making donations for home development were deemed insufficient.

Won Jong-hak (2017) expects that the introduction of the home donation system will have the same positive effect as in Japan. On the negative side, however, his study pointed out the need for measures to address the issue of adjustment of tax fairness among local governments due to overheated competition for return products and the issue of sharing of tax deduction between central and local governments.

2) Legislation efforts of the National Assembly

In the 18th National Assembly, the proposed hometown tax bill was representatively proposed by Lee Ju-young Lee (2009) of the GNP and Jae-hyung Hong (2011) of the Democratic Integration Party (2011), respectively, but both cases were abolished. The reason is that the tax conflict problem arose as tax sources were specified as existing resident tax and income tax.

In April 2010, when the Grand National Party (GNP) reviewed the establishment of a "local development tax" as a pledge for the June 2 local elections, the hometown tax began to draw attention again. The hometown tax shared the basic framework

13) On June 7, 2016, Gangwon-do proposed a joint response at the National City Provincial Governor's Council and the Sejong Council, saying that they would promote the introduction of hometown tax based on the research of the Gangwon Development Institute (Yonhap News, 2016. 6. 7).

with Japan's home tax system by allowing up to 30 percent of the local income tax (resident tax income) to be paid in installments (donated) to areas where he or she has lived for more than five years or their hometown, in order to balance regional development and ease the financial gap between regions. However, the pledge was scrapped due to opposition from local governments in the Seoul metropolitan area and negative views from the government departments responsible for administration of the policy (the Ministry of Strategy and Finance and the Korea Institute of Public Finance)¹⁴.

Discussions on hometown taxes did not take place in the 19th National Assembly¹⁵. However, local governments have continued to discuss their hometown tax, which has not completely abated. As the 20th National Assembly entered, discussions on the introduction of hometown taxes became more active, and 14 related bills were proposed by the end of April 2019.

〈Table 1〉 Purpose of initiating a bill related to the Hometown Love Donation System (Hometown Tax) in 20th National Assembly

Representative proposal and date	Reason for Proposal of the Bill (Purpose)
Hwang Ju-hong ('16.7.13)	Establishment of the Rural Development Community Chest and plans to expand finances, tax deductions and related income tax laws and corporate tax laws. Balanced regional development plan
Ahn Ho-young ('16.8.16)	Acceptance of donations from local governments registered on the basis of registration or for more than 10 years, contributes to balanced regional development and increasing local tax revenue
Jeon Jae-soo ('17.5.15)	Local governments with a degree of financial independence of 20% or less are allowed to raise donations within the range of 1 million won or less per year for residents outside the jurisdiction, expand tax sources of local governments, and contribute to balanced regional development.
Hong Ui-Rak ('17.6.1)	Revision of the income tax law. Improving the financial situation of hometowns, resolving the fiscal gap between the metropolitan area and local regions, easing the imbalance between regions

14) The Ministry of Strategy and Finance expressed a negative position that the Minister of Strategy and Finance at the time Yoon Jeung-hyun said, "The introduction of a hometown tax does not help to bridge the fiscal gap." Through the report of "Japan's Hometown Tax System and Implications" by Won Jong-hak (2010), "Japan's hometown tax system was effective in raising interest in regions (regions), but the purpose of the system was between regions. It was found that it did not contribute to resolving the fiscal gap."

15) While the central government's interest in the hometown tax dwindled for a while, instead, some local governments began to actively discuss the introduction of the hometown tax system. See Doo-seop Shin and Myung-bae Yeom (2016) for discussions on hometown tax at the local government level.

Kang Hyosang ('17.6.27)	The donor's place of birth and its equivalent area, as prescribed by Presidential Decree, is permitted to recruit and accept donations from local governments expansion of local finance
Park Deok-heum ('17.8.8)	Local tax law revision. Correcting fiscal imbalances in metropolitan and non-capital areas, increasing local government fiscal independence, and inducing local economy activation
Kim Gwang-lim ('17.8.9)	Providing agricultural products and special products of the relevant city according to the standards determined by the president. Resolving the financial crisis of the local government
Kim Du-gwan ('17.9.14)	Recruitment of donations within the range of 30 million won or less per person to local governments with financial independence of 30% or less. Alleviating the fiscal imbalance among local governments
Lee Gae-ho ('17.9.27)	Enactment of the Hometown Love Donation Act. Creating a healthy donation culture, supplementing poor local finances, and reducing the tax gap between local governments
Joo Seung-yong ('17.9.29)	Revision of the income tax law. Resolving the fiscal imbalance between farming and fishing villages and large cities and promoting balanced development between regions
Lee Myeong-soo ('17.11.17)	Local tax law revision. Resolving the fiscal imbalance between local governments and achieving regional vitalization
Jeong Inhwa ('18.8.27)	Revision of the Hometown Love Donation Act. To create a healthy donation culture, balanced regional development, and save local communities such as rural areas.
Yoon Young-il ('18.9.13)	Enactment of the Hometown Love Donation Act, resolving the fiscal imbalance between regions, enhancing the vitality of farming and fishing villages, and contributing to balanced regional development
Wi Seong-gon ('19.4.15)	Act on Community Funding and Distribution for Balanced Regional Development. A plan to grant income deduction benefits through designation of legal contributions, etc.

Data: Reorganized the National Assembly bill information system (<http://likms.assembly.go.kr/bill/main.do>)

All of these 14 legislative bills were proposed with the intention of introducing a home tax system. In terms of specific details, different views are given on the scope of donors and areas to be donated to, whether donations or taxes are made, limit of donations, tax deduction methods, and whether to allow return items. So will Korea revise the new law or enact the current law in the form of introduction? Will Korea revise the Resident Tax Act (local) or the Income Tax Act (national tax) for tax benefits? Given that there are many differences in opinions on the issue, it can be said to be "ten people and ten opinions." In other words, the home tax system is expected to require coordination in the process of legislating it into a single law.

As President Moon Jae-in announced the

introduction of the "Hometown Love Donation System" as a presidential election pledge in terms of decentralization of local finances and balanced development, the government (administrative) level also specified it as one of the top 100 national tasks, and set forth in legislation procedure on the introduction of Hometown tax. Analysts say that the discussions, which have been centered on some local governments and the National Assembly, have begun within the government, which will provide vitality and comfort to farming and fishing villages facing extinction (Chungnam Ilbo, 2017 6. 30).

According to the report titled "The Issues and Tasks for the Introduction of the Home Love Donation System," the government will expand the donation to all local governments, not to limit the subject of donation to those who are leaving the country, and to make donations to all local governments, even those governments where people did not originate from. Of the donation amount, up to 100,000 won would be fully deducted (income tax and local income tax)¹⁶, and the remaining donations would be deducted from the 16.5% of the donation amount (33% for excess of 20 million won). (The Farmers Newspaper. September 23, 2018)¹⁷.

Special accounts of local governments or the establishment of funds are being discussed in order to determine how to operate and manage the hometown love donation.

Implications of the Hometown Tax System to Jeju Island

Necessity of system introduction and review of research group operation

In Korea, the concentration rate in the Seoul metropolitan area is approaching 50 percent amid the concentration of living infrastructure in the Seoul metropolitan area and deregulation, and the collapse of provinces like Japan is also coming true in Korea's local governments.

In May 2014, Japan announced basic local governments that could be extinguished at the Japan Creative Conference of the Productivity Headquarters, which led to the rapid spread of

the "local extinction theory". Japan is expected to decrease by more than 50% from 1,799 local governments in 2014 to 896 (49.8%) in 2040, and 523 local governments with less than 10,000 people are expected to disappear. As a countermeasure, a hometown taxation system was devised.

Based on the natural characteristics of Jeju Island, it is necessary to review the introduction of a tax system in the same manner as the Japan's hometown tax, which operates in connection with the tax system and local specialties so that the region with a lot of clean special products can be maintained and developed permanently.

The hometown tax, operated in Japan, can be used as a means of promoting regional vitalization by inducing interest in the region by promoting local attractions and specialty products, as well as connecting it to the purchase of tourism and specialty products. Therefore, if you think about it from the perspective of radiating the charm of region and local governments, it is expected that it will be effective if it is used as a means to simultaneously achieve local specialty promotion and tourist attraction.

It is expected that the connection with local governments through the payment of hometown taxes may lead to returning to farming and rural areas in long term along with tax payment, so active consideration is needed.

Japan's hometown tax is not a problem unique to Jeju Island, but requires connection with other cities and provinces, and processes such as public debate and issue-making are essential. So it is necessary that the "Hometown Tax Research Group" is established and operated to focus on trial and error and implications based on Japanese operating cases and to prepare a policy alternative suitable for the situation in Jeju Island.

Jeju Island has a lot of clean agricultural products and local specialties, so if the hometown tax is established, it is expected that there would be many advantages for Jeju Island, and the key is to establish it as a local system that utilizes local characteristics. Therefore, it is necessary to actively promote the hometown tax system as a new means of regional development. In particular, it is necessary to raise funds through donations to local specialized projects and to continuously manage human networks linked to the region, including those who left the country, to link them with job

16) Article 76 of the 「Restriction of Special Taxation Act」 and Article 164 of the 「Restriction of Special Local Taxation Act」 require that political funds be deducted in full up to 100,000 won

17) In Article 59-4 of the Income Tax Act and Article 167-2 of the Restriction of Special Local Taxes Act, 16.5% for up to 20 million won and 33% for over 20 million won are required.

creation, training of local talent, attracting tourists, and upgrading local products.

Therefore, in order to minimize trial and error in laws and systems and to introduce a system that is compatible with the reality of Jeju, thorough review and resolution should be taken to prevent the repeated trial and error that happened in Japan.

Lastly, for sustainable development, it is important to focus on the local history, climate, and culture to differentiate and characterize it from other local governments, and when these characteristics are equipped, it is possible to maximize the effect of the hometown tax.

Implications for Jeju Island

In order to successfully introduce and settle the hometown tax system in Korea, it is necessary to maximize the positive effects of this system and minimize the negative aspects. Therefore, the implications of the Japanese hometown tax system to Jeju Island are as follows. First, considering that the hometown tax system was introduced in Japan in 2008, spread from 2014. So, it would take considerable time for the hometown tax system to be successful in Korea as well. Therefore, since the home tax system did not start as a perfect system, but gradually gained a foothold for rapid growth as the system was improved, it is important to comprehensively review the similar bills proposed by the legislation of lawmakers as soon as possible to come up with an optimal plan for the home tax system.

Second, as Japan reorganized the system, the performance of hometown tax payments increased. Therefore, it is necessary for Korea to continue system reform through continuous monitoring and trend identification. Rather than simply focusing on the expansion of local finances, hometown tax payments should be focused on that local specialties, search for sales channels by providing return products, and new high-quality products are created, leading to local job creation and activation of the local economy. Third, since taxpayers select local governments to be donated to, taxation in their hometown was concentrated in specific local governments, and competition between regions was overheated and the effect of resolving the fiscal gap was insufficient¹⁸. In other words, it suggests

that Japan's hometown tax system was used as a way to secure local finances rather than to bridge the fiscal gap.

Given this, it is also necessary to prepare measures to provide agricultural and specialty products to donors as a return gift in order to establish a donation culture, motivate donors, and increase the donation rate of those who have donated. In other words, in order for the home donation system to function as a complete system that breathes new breath into local governments, various incentives such as providing gifts to donors should be accompanied.

Currently, the majority of local small and medium-sized cities are unable to cover even the labor costs of public officials with their own income. In the case of Jeju, it is better off than other parts of the mainland. In some rural areas in other provinces, financial conditions are so poor that even local survival cannot be guaranteed if they fail to increase their own income. Moreover, securing self-income is one of the few alternatives that can save local finances on the verge of extinction, and hometown donation is expected to become a catalyst to save the region.

Providing return items to donors is the core of the hometown donation system. In Japan, where the hometown donation system was introduced and implemented, there was a controversy for and against it at the beginning of its introduction. However, since then, the provision of return products such as agricultural products and rural tourism experience rights has begun to have a great effect, and the revitalization effect of this system is seeing so much that there are more than 10 local governments whose hometown donations are higher than local taxes. This is why Japanese local governments have successfully introduced the concept of the hometown tax, which gives some benefits to those who leave their hometowns if they pay taxes to their hometowns.

The plan of providing hometown agricultural and specialty products as return products will ultimately guarantee the completion of the hometown donation system and lead to an effect of inducing the activation of this system, improving the distribution structure of agricultural products, and increasing the income of farmers and fisheries.

In the current distribution structure, it is urgent to actively promote the hometown tax system because donors who receive agricultural and special

18) Lee Se-kyung, 「Japanese Hometown Taxation, Tax Time Information, Boosting Domestic Sales」, 「KOTRA Overseas Market News」, August 14, 2017.

products from their hometown can induce direct transactions by ordering them(Who is them?, don't use the pronoun here) back to their hometown.

The hometown donation system is highly likely to become a new model for revitalizing the local economy, and as the national tax is deducted from the entire amount, the effect of local finance inflow to all regions is expected. Jeju Island should also be aware of these various realities in other provinces and provide an opportunity to greatly develop the system by making its home donation widely known to its residents as well as to the people who left the country. The residents of Jeju Island, who have left, are more tenacious than any other local residents and armed with the love of the town, which can further raise the expectation of success for the system.

Ending Word

It is important to keep in mind that if the home tax system only appeals to "people's feelings" as seen in Japan's case, the government may not achieve its intended purpose and only develop new problems in policy if it hastily expands the system without readjusting the soil conditions so that the policy can be properly rooted.

Therefore, the hometown tax system, in which residents voluntarily donate (pay tax) to the region or hometown they want to help with, is sufficient as a symbolic meaning, and it is better not to put too much expectations that the fiscal gap between local governments can be completely resolved. The local fiscal adjustment system, such as the local grant tax, is a financial transfer device to support the desirable role of local governments by providing more financial resources to local governments with poor tax revenues and adjusting the financial imbalance between local governments.

It is desirable to pursue policies carefully and promote regional development by resolving fiscal imbalances among local governments in a way that can properly revive the original purpose of the hometown tax system while continuously raising the good national sentiment of "hometown love, support for farming and fishing villages."

Prior to the introduction of the hometown love donation system, the government should carefully analyze the achievements and limitations of Japan's hometown tax system before designing a system

suitable for the situation in each region of Korea. In particular, it is necessary to harmonize with the current donation system and the tax deduction system, and to institutionalize standards so that competition among local governments to attract home love donations can work positively.

In addition, the introduction of the system should be promoted while comprehensively viewing the financial changes of the central government and local governments that may be caused by the deduction of donations from the hometown donation system. Therefore, in order to implement the home tax system, the government should revise the income tax law, the tax exemption law, and the local tax exemption law, as well as the hometown tax bill.

In addition, in order to ensure accurate information on hometown taxes, we would suggest establishing and utilizing "big data" for tax revenue forecasting in the long term.

Based on demographic data, the donor's birth place, future residence, how long they lived in each region, when they left their hometown, and whether parents, siblings and relatives live in the hometown, family relations, etc... More detailed and accurate basic information is needed, such as the place of birth, age and retirement period, income level, how much local income tax is paid to the current residence, and how much income will continue in the future to create a better plan. Finally, it is necessary to carry out systematic and detailed research and analysis on the "Korean-style (Jeju) hometown tax system," and to launch the "Jeju-type hometown tax research association (tentative name)" that suits the characteristics of Jeju. Therefore, it is deemed desirable for the development of a Jeju-type hometown tax system to conduct research and analysis on the Jeju-type tax system and to form and operate an academic and policy research organization responsible for systematic and specific policy implementation, policy direction setting, and performance monitoring. Through the introduction of the Jeju-style hometown tax, we hope that regional specialties would be specialized and directly linked to residents' income, new jobs would be created in the region, delayed industries and regions would be integrated, resulting in cooperation and exchanges in overall areas such as the economy, civil society, education, and welfare, resulting in a fruitful regional revitalization.

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Receiving Date : August 5, 2020

Reviewing Date : August 12, 2020

Reporting Date of Article Appearance: August 19, 2020