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 Jack Newman, Acting Director FTAS

Jesse Lee

November 10, 1970

Conrado E. Longoria, Sr. Tax Advisor

Monthly Report, October

LIAISON

We were pleased to have Donald Morey on board for a couple of days during the first week of October. While he was here we held meetings with both, AID and GOI officials to discuss the Tax Administration program.

Much of the discussion with AID officials centered around the best way to measure the progress of the Tax Program. The program office feels there is a need to measure yield from input in quantitative terms while our tendency has been to shy away from purely numeric targets as a way of measuring progress. Don Morey pointed out the weaknesses of quantitative indicators and also agreed to pass on to Mr. Stoneman the experience FTAS has gained in it's attempt to measure progress. Meanwhile we have agreed to provide the program office with quantitative targets to be used for updating the target section of the PROP.

During the month AID officials: Walter G. Stoneman, Director; John Nepple, Deputy Director; Thomas Mehan, Program Officer; Jesse Lee, Chief PAD; conducted a review of the Tax Administration Program. We do not have the results or reactions from the review, however we were assured the necessary support from AID to ensure that GOI officials are taking full advantage of the technical services being provided under the Tax Administration Program.

SIECA/ICAP/OAS

As previously reported Honduras will be represented at the meeting in Costa Rica by Mr. Efraín Suazo, Director General and by Efraín Reconco, Director General of Economic Integration. Also

invited but not yet committed to go was Lic. Valentín Mendoza, Executive Secretary of the Superior Council of Economic Planning. ICAP also sent Mr. Stoneman, USAID Mission Director an invitation to send the IRS Tax Team Leader to the meeting. The decision to send the Team Leader is still pending.

ADP

The new master file project is approximately one week behind schedule. The schematic which shows the systems inputs and outputs has been completed. Program specifications for the processing of 1970 returns have been completed and the documentation turned over to programmers for the preparation of related programs. Five of the programs have been prepared and are in for keypunching. We do not know as yet and are a little concerned about the quality of programming and the extent to which the programs are being desk~~ed~~ checked. Inadequate desk checks will cause unnecessary delays before the programs can be utilized.

Prompting by the advisor brought about action on the preparation of the site for the new computer. The work is nevertheless, approximately 30 days behind schedule. The temporary site for the DGT's 1440 was prepared following the advisor's recommendation to reduce the size of the site to ensure adequate airconditioning capacity. In spite of those measures one airconditioning unit failed causing the computer to overheat and cause spot production halts.

On the programmer shortage reported last month, the director has earmarked 5,000 Lempiras to finance the services of five part-time or temporary programmers to assist in the preparation of programs for the new master file system. The long range problem will continue to exist unless additional positions are budgeted, or unless positions from within the directorate are transferred to the ADP Department.

COLLECTION

The primary thrust in this area is to develop a procedure for the systematic handling of tax delinquent accounts. Although slightly behind schedule the project is progressing at a satisfactory rate. Part of the procedural instructions have been completed and are in the process of

being translated to Spanish. A notice form with multiple uses has been designed, approved and scheduled for printing next month. Also designed and approved, was a notice of levy form that will be sent to employers and other payors.

TRAINING

Two employees have been nominated for the Investigative Techniques Seminar, rescheduled for the third quarter of fiscal year 1971. The original PIO/P has been amended to provide funding for the second nominee.

Following the cancellation of the Basis Instructor Seminar we discussed with the director the possibility of nominating some one to the Training Management INTAX Seminar; however we were unable to find a suitable candidate for the level of training contemplated.

PUBLIC REALTIONS & TAXPAYER EDUCATION

A three hour orientation course on Income Tax was developed by the DGT and presented by auditors at sixteen commercial institutes throughout the country. Approximately 749 business students attended the orientations. The presentation covered individual and business income tax law and the correct way of preparing the related return. The orientation also provided information on when and where to pay, penalties for non-filing and non-payment; and, a brief description of the Tax Agency Organization.

Statistics

Following are comparative revenue statistics covering the period January - September 1970.

<u>Comparative Revenue Collections</u>			
(Thousands of Lempiras)			
(Conversion Rate L.2 to \$1)			
<u>S O U R C E</u>	<u>1969</u>	<u>1970</u>	<u>%</u>
Total Revenue	74,228.5	80,267.2	8.3
I. Tax Revenue	72,954.4	78,957.7	8.2
a) Income and Profit Tax	40,918.3	40,097.0	(2.0)
b) Tax on Property	1,060.8	1,077.4	1.6
1. Inheritance	349.1	402.9	15.4
2. Transfers	711.7	674.5	(5.2)
c) Indirect Taxes	30,975.3	37,783.3	19.6
2. Stamped Paper	1,309.9	1,409.3	7.6
10. Sale of new autos	1,107.5	1,290.7	16.5
11. Sales 3%	6,876.9	8,279.9	20.4
12. Beer	8,029.8	9,090.6	13.2
13. Carbonated Drinks	872.7	957.7	9.7
14. Cigarettes	3,743.6	3,541.9	(5.4)
18. Petroleum Products	2,882.1	6,557.2	127.5
19. Consumption	2,925.4	3,034.9	3.7
- Other	3,227.4	3,621.1	12.2
d) Impuestos Varios (Lottery)	67.8	68.3	0.7
II. Non-Tax Revenue	1,274.1	1,309.5	2.8

Total Revenue for the period increased 8.3% or Lps. 6,038.7 over the corresponding period of the previous calendar year. Income Tax, is down 2.0% because of the decrease in revenue from the banana industry. Indirect taxes show an increase of 19.6%. Ninety percent of the increase is from three tax sources: Sales Tax, Tax on Beer, and Tax on Petroleum Products.