Optimizing Local Revenue: PBBP2 Tax Policy for Effective Public Service in Binjai, North Sumatra

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ABSTRAK

Penelitian ini menganalisis kebijakan fiskal dan pengelolaan Pajak Bumi dan Bangunan sektor perkotaan dan perdesaan (PBBP2) di Kota Binjai serta dampaknya terhadap Pendapatan Asli Daerah (PAD). Tujuannya adalah mengukur potensi yang dimiliki Kota Binjai dalam mengelola penerimaan PBBP2. Metode penelitian ini melibatkan kuesioner dan wawancara dengan responden dipilih melalui Purposive sampling. Hasil penelitian menunjukkan bahwa dengan menggabungkan potensi objek PBBP2 dan kemampuan aparatur, menggunakan analisis matriks Boston Consulting Group (BCG) dan tipologi Klassen, penerimaan PBBP2 di Kota Binjai masuk dalam kategori question mark memerlukan pengembangan mendesak sebagai salah satu sumber utama PAD di masa depan. Kategori dog yang menandakan pendapatan dan pertumbuhan PBBP2 rendah, perlu dihindari. Dalam pendekatan tipologi Klassen, daerah PBBP2 yang tertinggal (low growth and low income) harus diprioritaskan untuk mengatasi ketertinggalan relatif melalui kolaborasi pemerintah Kota Binjai, modernisasi administrasi, dan validasi database PBBP2. Kesimpulannya, penerimaan PBBP2 di Kota Binjai memerlukan perkembangan lebih lanjut sebagai sumber utama pendapatan masa depan. Namun, tantangan terkait pendapatan dan pertumbuhan PBBP2 di daerah tertentu perlu diatasi melalui kerja sama lintas sektor.

ABSTRACT

This study analyzes the fiscal policy and management of the Land and Building Tax in urban and rural sectors (PBBP2) in Binjai City and its impact on Local Revenue (PAD). The objective is to measure the potential that Binjai City has in managing PBBP2 revenue. This research method involves questionnaires and interviews with respondents selected through purposive sampling. The results showed that by combining the potential of PBBP2 objects and the ability of the apparatus, using the Boston Consulting Group (BCG) matrix analysis and Klassen typology, PBBP2 revenue in Binjai City falls into the "question mark" category requiring urgent development as one of the main sources of PAD in the future. The "dog" category, which indicates low PBBP2 revenue and growth, needs to be avoided. In Klassen's typology approach, underdeveloped PBBP2 areas (low growth and low income) should be prioritized to overcome relative underdevelopment through a collaboration of the Binjai City government, administrative modernization, and validation of the PBBP2 database. In conclusion, PBBP2 revenues in Binjai City require further development as a major source of future revenue. However, challenges related to PBBP2 revenue and growth in certain areas must be addressed through cross-sectoral cooperation.

INTRODUCTION

This study comes out from an issued policy regarding regional autonomy and fiscal decentralization through Law No. 1/2022 (Financial Relations between the Central and Local Governments) that gives a local government full right and authority to collect taxes and retribution or so-called taxing power. Decentralization is not only interpreted as the transfer of political and administrative authority but also the transfer of authority from the fiscal sector (Runiawati, 2017). Hence, a local government will have full authority and responsibility in managing regional fiscal (M.R.McNab, 2001). Despite the given responsibility of collecting

taxes and retribution, a local government is also authorized to expand or modify the current taxes from their existing basis, impose new kinds of taxes, and have the discretion to define limited values of retribution. Law No. 1/2022 also states the changes of land and building acquisition fees (BPHTB) and PBBP2 from centralized taxes to regional ones, providing a great authority for local government in managing taxes as well as revenue targets. Unfortunately, the existence of this regulation is seemed insignificant to encourage the local governments in increasing their local original revenue, especially those that are taken from PBBP2 taxed objects (Robert, Sander, & Tiwari, 2019). Data in 2019 exhibited that the PBBP2 revenue from 538 regions in Indonesia was around IDR 23 trillion, apparently below the expected targets (Olivia, 2019). Therefore, as one of the primary sources of local original revenues, all drawback factors that might cause the decreased revenue should be taken into consideration in fiscal policymaking.

Binjai is one of the cities in the North Sumatra Province that holds significant potential for generating local revenue through Pajak Bumi dan Bangunan Perdesaan dan Perkotaan (PBBP2), or Rural and Urban Land and Building Tax. Positioned as the gateway to Medan City from Aceh Province and linked by the Trans Sumatra highway, Binjai enjoys a strategic location (NSI, 2023). This unique combination of factors positions Binjai favorably to enhance the market value of taxable properties, encompassing lands and buildings owned, controlled, and/or utilized by individuals or entities. The city of Binjai has been reported for its city government's inability to optimize the local original revenue targets from PBBP2. Local revenue from PBBP2 has been decreasing annually, consistently falling below the expected revenue targets. For instance, the local revenue generated from PBBP2 in 2017 was 77.38%, but it significantly dropped to 61.59% in 2018 (refer to Table 1). This decline in revenue contrasts with the city's progressive development. There is a pressing need to enhance the generation of local original revenue through this tax category. Notably, the data from 2018 reveals that the targeted local revenue of IDR 305 billion could not be achieved, resulting in a mere IDR 135 billion obtained, which was lower than the local revenue of IDR 139 billion in 2017.

Table 1.
Local revenue from PBBP2 of the city of Binjai from 2016-2022

Year	Target value	Obtained value	Remark
2016	7,100,000,000	7,312,390,000	Above target
2017	11,375,000,000	8,802,139,503	Below Target
2018	12,512,500,000	7,706,160,505	Below Target
2019	12,512,500,000	7,543,896,950	Below Target
2020	28,512,500,000	7,614,835,552	Below Target
2021	50,008,955,573	8,513,530,031	Below Target
2022	68,004,940,488	9,195,118,610	Below Target

Source: Data are taken from the annual report of local revenue of Binjai in 2016-2022 (2023)

According to the data, the city government of Binjai was classified as a low-perform government due to its inability to meet the expected target of local revenue from PBBP2. The authority in managing PBBP2 and its expected revenue has been entirely handover from the central government to the local government, hence the potential PBBP2 taxed objects should

optimally be managed to increase the local original revenue (Jon, 2000). Some factors are important to take into account in management policy making such as database recording, assessment and determination of taxed objects, tax billing, and so forth (La Ode Antoa, Hamida, & Bulan, 2020) (Siahaan, 2016; Siahaan, 2016). Accordingly, there were two hypotheses highlighted in this study; firstly, PBBP2 was thought as an effective way where a community transferred its wealthy part to the government, which was lawly made possible, secondly, taxes were earned due to their significant role in giving a large contribution to state revenue.

This research underscores the imperative for a comprehensive investigation into the status of the Rural and Urban Land and Building Tax (PBBP2) in Binjai City. Despite being granted full authority through Law No. 1/2022 to administer taxes and levies, data indicates that Binjai City grapples with challenges in meeting its own-source revenue (PAD) target from PBBP2. The substantial potential of PBBP2 is potentially hindered by successive annual declines in revenue, falling short of anticipated benchmarks. Consequently, there is a pressing need to accentuate the more effective management of PBBP2 tax assets to augment local revenue. Factors encompassing database recording, valuation of tax objects, and collection procedures warrant earnest consideration in the policymaking process. This research holds relevance as it aims to dissect the contributing factors to the decline in PBBP2 revenue in Binjai City and formulate an optimally tailored management strategy, envisaged to bolster the city's economic expansion and sustainable advancement.

Literature Review

Definitions and Local Revenue Potential of Land and Building Tax

The definition of PBB (Pajak Bumi dan Bangunan or Land and Building Tax) according to the PBB Law encompasses a fee levied on property owners, power holders, tenants, and individuals benefiting from land and/or buildings. The scope of "land" encompasses both the surface and subsurface of the earth, while "building" refers to a constructed entity permanently affixed to land and/or water, serving as a residence or commercial space. Although PBB holds a relatively modest monetary value when compared to other central taxes, its significance lies in its far-reaching impact, as the generated revenue is channeled back into the development of the respective region (Noor, 2020). PBB-P2 is a tax imposed on land and/or buildings owned, controlled, and/or utilized by individuals or entities, with the exception of areas utilized for plantation, forestry, and mining business activities (Hariani, 2022). PBB-P2 and BPHTB serve as sources of local revenue with the potential to significantly contribute to PAD, as they involve taxation of land and/or buildings owned, controlled, and/or utilized by individuals or entities (Fitra, Putro, & Farida, 2017).

Analytical Tools for Strategic Evaluation and Regional Development Enhancement

The BCG matrix is an analytical tool used to evaluate a product or business portfolio based on two dimensions, namely relative market share and market growth rate (Nadia & Riyanto, 2023). The BCG matrix divides products or businesses into four categories: star, question mark, cash cow, and dog. The BCG matrix can assist companies in determining strategies for resource allocation, investment, divestment, or discontinuation of products or businesses. The Klassen typology is an analytical tool used to classify regions or sectors based on two dimensions, namely economic growth and per capita income (Rahayu E. S., 2010). Klassen's typology divides regions or sectors

into four categories, namely fast-growing, lagging, fast-developing, and slow-growing. Klassen's typology can assist the government or decision-makers in determining priorities and strategies for regional or sectoral development.

To achieve the objective of analyzing public service performance and taxpayer compliance, this study employs two analytical methods: the BCG matrix and Klassen typology. The BCG matrix identifies favored or prioritized products or businesses in the local revenue portfolio based on two dimensions: relative market share and market growth rate. The Klassen typology classifies regions or sectors based on two dimensions: economic growth and per capita income. By utilizing these two methods, this research can determine PBB-P2 development strategies that align with the conditions and potential of Binjai City. Moreover, it can provide policy recommendations to enhance the efficiency, effectiveness, and accountability of public services and tax administration.

Conceptual Frame of Policy Analysis

The policy is a series of actions taken by governments, organizations, or individuals to overcome problems or achieve certain goals (Litaay, Agustang, & Syukur, 2023). Several utterances have been created to give definitive meaning to a policy. A policy as a course of action is commonly intended to attain every government's goal and vision (Dunn, 2003) (Friedrich, 1971). A policy shall be encompassed of the elements of goal, objective, or purpose. Moreover, it also includes proposals (plans), programs, decisions, effects, and so forth (Rahayu A. S., 2010). It can also be interpreted as a relative, stable, and purposive course of action that is obeyed by a community or society dealing with a problem or matter of concern (Anderson, 2003). In this context, a policy is attached to a formal regulation issued by government bodies where it can be in the form of laws and decisions, aiming to provide good services for the public. An illustration of the relationship between a policy and its outcomes can be depicted in Figure 1.

The illustration explains that a policy is a formal process in which decisions are taken from various choices of actions to directly regulate, manage and distribute all available resources to society and the state. Therefore, a policy is essentially a process to make better changes for the nation's welfare. This policy analysis process can be thought of as a political intellectual activity to accumulate every activity, ranging from agenda setting stage, policy formulation, policy adoption, policy implementation, and policy evaluation.

Figure 1.
Relationship between policy, decision, and wisdom
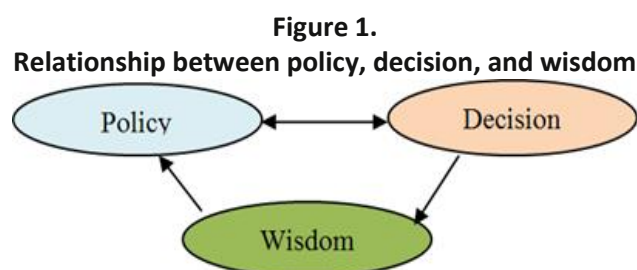
Source: (Randall B, 1986)

The policy formulation stage involves resolving any public issues, developing policy alternatives, building support, and negotiating so that a formal policy is chosen. Furthermore, the policy implementation process requires resources in the policy

implementation setting. Finally, the evaluation of the implementation process, performance as well as the impact of the policy taken.

Just as a policy encompasses a series of deliberate actions to achieve specific goals, the BCG Matrix evaluates a product or business portfolio's strategic positioning based on market share and growth rate. Similarly, policy formulation, as described, involves considering alternatives, building support, and making decisions. In the BCG Matrix, products are categorized as stars, question marks, cash cows, or dogs, aligning with the policy's course of action to optimize outcomes. Likewise, Klassen Typology, which classifies regions or sectors based on economic growth and per capita income, mirrors the policy analysis process. Regions are grouped as fast-growing, lagging, fast-developing, or slow-growing, reflecting the policy's intent to address societal concerns and promote welfare. Just as policy implementation requires resources, Klassen Typology's approach considers the economic realities of regions. Ultimately, both frameworks aim to improve the state of affairs – the policy analysis process strives to better society, while the BCG Matrix and Klassen Typology seek to enhance the performance and development of products or regions.

Venturing into the realm of optimizing local revenue, the research titled "Optimizing Local Revenue: PBBP2 Tax Policy for Effective Public Service in Binjai, North Sumatra" introduces a fresh perspective on advancing public service excellence. Amid the intricacies of policy implementation, this study pioneers a pathway to harness the potential of PBBP2 taxation, strategically aligning it with the unique dynamics of Binjai City. By harmonizing analytical tools, policy insights, and regional nuances, this research embarks on a journey not only to enhance fiscal prosperity but also to elevate the quality, accessibility, and responsiveness of public services. In a landscape where local revenue and service excellence intertwine, this investigation bridges the gap between theory and tangible impact, igniting a paradigm shift in resource allocation and community well-being.

RESEARCH METHODS

The research method applied in this article combines various approaches and analytical techniques to explore issues related to the optimization of local revenue from PBB-P2 tax in Binjai City, North Sumatra. The quantitative approach is used as the main approach to test the hypotheses that have been formulated regarding the relationship between public service performance and taxpayer compliance with local revenue from PBB-P2. Additionally, the descriptive approach is strategically incorporated to provide an in-depth understanding of PBB-P2 local revenue issues from a broader perspective.

The utilization of the descriptive approach in this study is grounded in its ability to offer a comprehensive contextual understanding of the local revenue challenges associated with PBB-P2. By employing qualitative data collection methods such as questionnaires and interviews, the descriptive approach allows for a nuanced exploration of the perceptions, experiences, and behaviors of the stakeholders involved in the taxation process and public services in Binjai. This enables a deeper insight into the underlying factors that may contribute to variations in revenue collection and compliance, shedding light on potential barriers or facilitators.

Data collection was conducted through two main stages, namely questionnaires and interviews. Questionnaires were used to collect data from respondents (Hair, Black, Babin, Anderson, & Tatham, 1998) (Denzin, K, & Lincoln, 2009) involved in the taxation process and public services in Binjai, with sample selection using purposive sampling method. In-depth

interviews were conducted to verify and gain further insights from the respondents (Mahmudi, 2007). Furthermore, the collected data was analyzed using the BCG Matrix and Klassen Typology approaches. This approach helps classify and organize the data as well as uncover patterns and significant relationships between related variables.

In the overall research, the application of these methods aims to provide an in-depth understanding and effective solutions to improve the PBBP2 tax policy for achieving better public services in Binjai City. By combining quantitative, descriptive, historical, and matrix analysis approaches, this research seeks to provide a comprehensive view that contributes to local development and optimal public services.

RESULTS AND DISCUSSIONS

Tax policy and PBBP2

Tax policy is a part of the tax system that regulates the amount of taxes, tax subjects, tax objects, tax rates, and tax payment procedures. The policy is mainly aimed to maximize the revenue target. In Doha Declaration of 2008, it has been agreed on some proposals to enhance the tax system's effectiveness through; (1) increasing tax revenue with a modernized tax system; (2) improving the tax collection effectiveness and efficiency; (3) expanding the object base; and (4) combat the tax corruption (Tanjung & Tjondro, 2013).

PBBP2 is a tax imposed on the land and buildings that are owned, controlled, and utilized by individuals or entities despite the inheritance objects which are intended for plantation, forest, and mining business activities. PBBP2 objects include the land on the earth's surface and its underneath, including waters, inland, and sea areas of Indonesia. Meanwhile, a building is referred to construction units such as hotels, factories, and their emplacements which are an integral part of the building like toll roads, swimming pools, luxury fences, sports facilities, shipyards and docks, parks, storage locations, oil refineries, water, gas, oil pipelines, and towers (Tanjung & Tjondro, 2013). On the other hand, the land and buildings that are not categorized in PBBP2 tax objects include central and regional governments buildings; buildings that are used for public interest such as worship, social, health, education, and national culture activities; cemeteries, ancient relics; protected forest, nature reserve forest, tourist forest, national park; and diplomatic representatives and consulates buildings (Halim, 2014).

PBBP2 subjects are defined as individuals or entities with the right to the land and/or obtain the benefits from the land, and/or own, control, and/or obtain the benefits from the building. PBBP2 tax-payers are individuals or entities with the right to land and/or obtain the benefits from land, and/or own, control, and/or obtain the benefits from buildings. Meanwhile, tax potential is the ability of an area to be imposed with PBBP2 tax and generate revenue along with the ability to be developed (Kumoro & Ariesanti, 2017). Sometimes, the tax potential is still unexplored, suggesting more efforts are needed to search out it for tabulating in tax collection. Hence, tax effort (TaxEffort) can be carried out to maximize the revenue sourced from the potential taxes (Patra & Andika, 2019).

The potential of PBBP2 objects

The city government of Binjai plays significant functions in PBBP2 tax management which include; (1) data collection and assessment (2) billing and revenue (3) information and technology management and supervision. The aspects related to the ability in PBBP2 tax management can be assessed in several indicators including; (1) the increase in the potential of the object and the number of tax returns issued each year (2) the attainment and revenue

growth (3) level of the proportion of PBBP2 revenue compared with the average revenue of each type of local tax, and (4) PBBP2 tax contribution to the total local revenue. Accordingly, data collection and registration of tax objects are strategic and technical means to increase the potential of existing PBBP2 revenues. The number of PBBP2 revenue objects in the city of Binjai can be seen in Table 2.

Table 2.
The potential of tax objects and PBBP2 target of the city of Binjai year 2018-2020

Year	Tax Object	NTP	PBBP2 Target (IDR)
2018	81,338	74,104	7,897,978,581,00
2019	81,338	75,813	7,235,757,646,00
2020	81,338	77,837	7,543,896,950,00

Source: Data obtained from the Finance Department, the city government of Binjai (2023)

The number of PBBP2 objects in Binjai City in 2018 was 81,338, and stagnate without increasing in 2019 and 2020. Likewise, with the issuance of NTP (Notice of Taxes Payable), the number of NTP from 2018 until 2020 increased dramatically from 74,104 to 77,837. Based on data, this condition illustrates that the number of NTP issued each year was around 90-95% out of the number of tax objects. The discrepancy data between the number of tax objects and NTP was still in the range of deal amount (≈100%). It is necessary to improve valid data management so that the potential of local revenue targets can continually increase.

From Table 2, it can be seen that the number of PBBP2 tax provisions in 2018 was around IDR 7.8 billion, and it decreased drastically in 2019 and 2020. It informed that there were fluctuations in the number of PBBP2 tax provisions. The number of tax objects has not changed at all, showing that they put the same data every year. This condition indicated the lack of data management of potential tax objects. The poor quality of this data was due to the fact of an insufficient number of officials/staff in Binjai City working on data collection and validation. Ideally, data registration, data collection and determination, administration, and collection shall be managed professionally according to the respective fields.

The Implication of PBBP2 on regional revenue growth

This study provided an analysis of the potential of PBBP2 tax objects and local taxes contribution to the original revenue growth as well the capability of the local government's tax efforts through PBBP2 Potential Map and Combination Matrix of Klassen Typology Analysis and Boston Consulting Group (BCG) Matrix. The BCG matrix is developed to divide the revenue growth into four quadrants where each quadrant represents two dimensions of unit classification (relative market and market growth) and is depicted with stars, cash cows, dogs, and question marks (I Made, 2018).

The Star category is interpreted as a unit that has a dominant market, rapid growth, and large revenue. The Cash Cows category means that the product unit has a high market but limited future growth prospects. The Dogs category is interpreted as a low market and experiencing low growth. It usually refers to a very low contribution. The Question Mark category is sometimes interpreted as problem children or wildcats. This means that the product has good growth prospects but the market share is still very low. Because the growth prospects are quite good, it is the potential to be improved.

Some strategic ways for the improvement of quadrant condition according to the BCG matrix;

a. Build, which is a strategy to increase investment in products to increase market share. This strategy is carried out to encourage products in the question marks category to become stars and eventually become cash cows.
b. Maintaining, which is a strategy to maintain products to stay in the same category condition. This strategy is used in the Stars category condition.
c. Harvesting is a strategy of reducing investment and trying to get the maximum possible return from the product or increase overall profitability. This strategy is used on products that are in the Cash Cows category.
d. Divestment is a strategy to close business activities or liquidate product units that are experiencing losses or products that have low market share. This strategy is carried out on units that are in the Dogs category.

The study of PBBP2 tax management in the city of Binjai encompassed a combination (matching) between the potential of PBBP2 tax and the management policy in attaining the PBBP2 revenue target. The potential of local taxes revenue in the city of Binjai was analyzed using a combination matrix of Klassen typology and Boston Consulting Group (BCG) matrix as can be seen in Table 3.

Table 3.
Combination matrix of Klassen typology and Boston Consulting Group (BCG) matrix

	Quadrant II	Quadrant I
High	STAR	QUESTION MARK
	Superior Sector	Developing Sector
	Quadrant III	Quadrant IV
Low	CASH COW	DOG
	Potential	Lagging Sector
	Sector	
Potential Capability		
	High	Low

Source: Processed by the author (2023)

The BCG matrix indicated that the potential of PBBP2 revenue of the city of Binjai was in Quadrant I, indicating that the potential of PBBP2 revenue from 2018 to 2020 was still in a low development with a fluctuating revenue range between 50% and 60%. This condition might be affected by the lack of ability in the management system causing the decreased effectiveness of PBBP2 target achievement. It can be seen the PBBP2 revenue decreased severely by 57.82% in 2019 and even worse in 2020. There was no possibility for the revenue data to be categorized in Quadrant III or Quadrant II.

The analysis of the BCG matrix clearly shows the discrepancy between the revenue target and its realization achieved. The Quadrant II category was not achieved, while the Quadrant IV category should be avoided because it would exhibit the poor capability of the Binjai city government to boost the PBBP2 revenue growth. Otherwise, this Quadrant IV category in the Klassen typology approach could be indicated as a low-growth and low-income region. The achievement of PBBP2 revenue growth and income was not optimal. To mitigate this drawback, it will be needed more strategic efforts to rectify the tax management issues. Also, the synergy and collaboration of the Binjai City government in maintaining the stability and continuity of potential sector growth are required to upgrade the tax database, continuity

improvement in the management, data registration, and collection, determination, administration, and collection activities.

By leveraging BCG matrix theory and Klassen typology, Binjai City can formulate an innovative, adaptive, and market-responsive model for PBB-P2 management. This comprehensive model encompasses critical facets such as tariff structuring, tax object evaluation, administrative support, billing procedures, legal enforcement, as well as initiatives for empowering and educating taxpayers. The implementation of this PBB-P2 management framework holds the potential to augment local revenue while concurrently enhancing the efficacy of public services and bolstering taxpayer compliance throughout Binjai City.

PBBP2 tax management: challenges and solution

The changing of PBBP2 tax management from central to local governments affects the financial sector policy of the city government of Binjai. The Binjai city government demands professionalism through a transparent and accountable performance approach in its financial management so that the impact on local revenue from the PBBP2 tax sector can be increased and the responsibility to pay taxes and levies carried out. It has been known that the number of tax objects increases annually which can impart to the variation rate in the PBBP2 tax of each district, thereby modernized administrative management and in-depth study shall be carried out to attain the local revenue target from the PBBP2 tax.

Two factors may imply the PBBP2 management; firstly, internal factors like the limited readiness of facilities/infrastructure, budget, organization, and human resources. This problem implies to weakening of the management system and database accuracy of tax objects, subjects, and taxpayers, rationalization of PBBP2 tax according to economic growth, and changes in market value. PBBP2 tax is an object-based tax in the form of land and/or buildings. In other words, PBBP2 is an assessment tax (Rahayu & Lingga, 2010). Secondly, external factors include low tax-payers compliance which is dominantly caused by the poor image of the city government. For instance, some NTP were often found to be sent to the wrong taxpayer address. It is therefore necessary to modernize the taxation system to regain public trust and support in the tax management policy (Setiana, En, & Agustina, 2010).

It has been known that the modernized administration in a tax system is a tool to fasten the process of administration and services on the taxpayers based on the functions of tax objects. Meanwhile, the optimized electronic NTP (e-NTP) application for electronic NTP reporting is aimed at online taxes payment. Measurement indicators for the variable of modernized administration of the tax system include organizational structure, service implementation, organizational strategy through information technology development, and organizational culture (Lasnofa & Fuzan, 2014).

The concept of modernized tax administration lies in the principle of changing of administration system. Rahayu and Lingga asserted that the tax administration reform should be manifested in the implementation of a modernized tax administration system that has special characteristics, including an organizational structure designed based on function (Rahayu & Lingga, 2010). There is an improvement in services for each taxpayer as well as the establishment of account representatives and compliant centers to accommodate taxpayer aspirations. The modernized tax administration system also follows e-system-based services to improve a more effective control mechanism, supported by an ethics code in carrying out the tasks for efficient good governance. Modernized organizational administration is also related to human resources, restructuring the organization and bureaucratizing services, and optimized information technology. Harefa noted that the obstacle that might greatly disrupt

the sustainability and consistency of tax collection was the human resources problem (Harefa, 2016). Continuous improvement of human resources shall be carried out, through education and training that are related to PBBP2 tax management (data collection, assessment, and determination of PBBP2 tax objects). Pertiwi reported any factors that could greatly affect the effectiveness of PBBP2 tax collection such as competence enhancement of officers/employees, capacity of employee resources, operational facilities, and infrastructure (Pertiwi, Riska, & Kurniawan, 2014).

The transition of PBBP2 tax management from central to local governments in Binjai has led to a comprehensive shift in the city's financial sector policy. This change emphasizes professionalism, transparency, and accountability in financial management to enhance local revenue from the PBBP2 tax sector. Internal challenges include limited facilities, budget, organization, and human resources, which have impacted the accuracy of tax-related databases and the overall management system. Additionally, external factors like low taxpayer compliance due to a negative city government image have further hindered revenue collection. Modernizing the taxation system, with a focus on e-NTP applications and organizational restructuring, is seen as essential to rebuild public trust and ensure efficient revenue growth. Ongoing human resource development through education and training is pivotal to enhance capabilities in PBBP2 tax management. Ultimately, this transformation aims to establish effective governance, responsive services, and sustainable revenue generation.

CONCLUSIONS

The analysis of the PBBP2 (Land and Building Tax for Urban and Rural Sectors) management policy in the city of Binjai, North Sumatra, has yielded significant insights into potential enhancements of local original revenue. The combined utilization of Klassen typology and BCG analysis shed light on the management capabilities and potential of PBBP2 tax objects, categorizing them within the "questionable mark" range. This classification underscores the city government's need to improve its management strategies for taxed objects, thereby addressing the challenges that have hindered revenue targets. The study identified two critical factors contributing to the suboptimal PBBP2 management: inadequate facilities/infrastructure and human resources, as well as low taxpayer compliance exacerbated by the city government's tarnished image. To rectify this, a comprehensive policy model is proposed, emphasizing modernized administrative management, database validation, streamlined registration, and data collection, along with refined taxed object determination. The study underscores the importance of collaborative efforts between the city government and its counterparts to ensure stability and foster continuous growth in local revenue. These findings bear implications for academic advancement by offering a nuanced perspective on tax policy implementation challenges and their impact on local revenue generation. Furthermore, the analysis validates the formulated hypotheses, reinforcing the value of employing a multifaceted approach to enhance revenue management strategies.

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