Furusato Nozei, Hometown Contribution Tax System, was officially introduced on April 30, 2008. Fukui Prefecture Governor, Issei Nishikawa was first to advocate this new tax system.

Here are some brief extracts from his book, The Concept of “Furusato”: Revitalizing Local Areas.

The Institutionalization of ‘Furusato’

The Furusato Contribution Tax System was officially introduced through an amendment to the Local Tax Law on April 30, 2008.

To explain briefly, when residents make contributions (as taxpayers) to local governments at the prefectural, city, town, or village level that they regard as their own furusato, the tax imposed on their residential area is reduced by that same amount the following year. This system enables people to transfer their tax payments from the governing body of their current residence to a local government which they favor as their furusato. In real terms, this allows taxpayers to donate up to ten percent of their tax payment (in addition to their normal payment) without an increase in the total paid.

This reform to the tax system was advocated by local governments, and I proposed it and saw to its enactment.

The Meaning of ‘Furusato’, Broadly Conceived

‘Furusato’, in its original meaning, refers to a one’s birthplace. Even now, for a majority of people it retains this meaning. When planning the Hometown Contribution Tax System, I also thought that “furusato” should be taken to mean the place where one was born, brought up, and educated. This is because I thought it important for there to be a desire to give back, and be of use, to one’s furusato.

The Concept Behind the Hometown Contribution Tax System

The Hometown Contribution Tax System is a device meant to give a tangible form to the people's affection toward their furusato. Since contributions to it assume the form of tax payments, the system brings about new possibilities for restructuring the antagonistic relationship between cities
and local areas, and contributing to the enrichment of democracy. I will take up this topic primarily from the viewpoint of the relationship between furusato and the outside.

“Life Cycle Balance” Taxation System

Most young people receive administrative services such as childcare and education in their hometowns from birth to graduating high school. After that, they go to university or college, get a job, and are in a position to pay taxes in big cities. Big cities entrust childcare and education to local areas, and simply become the recipient of taxes as a result. Systems of fiscal adjustment work for correcting imbalances across all sectors of Japan’s local governments. But fundamentally speaking, the balance of tax income and expenditures between local areas and cities is not maintained.

Additionally, it should be emphasized that the amount of this imbalance is too large. The total monetary amount of administrative services received by young people who grow up in Fukui Prefecture from birth through high school is about 18 million yen per person. There is a sense that nearly 10 billion yen in public expenditures, roughly calculated, is flowing out into big cities. The idea of correcting people’s life cycle balance was the basis of the concept of the Hometown Contribution Tax System.

Taxpayer Sovereignty

With the Hometown Contribution Tax System, we are able to hope for the development of our furusato and undertake useful actions of our own volition. This system enables us to elevate the whole of Japan through looking back on our furusato. It enables us to choose, directly and voluntarily, the local government to which we pay taxes as well as the policies for which we want our tax payments used. With the individual as sovereign, the potential exists for taking action that will directly influence society. The possibility is there for encouraging people to be interested in how their taxes are used.