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THE INFLUENCE OF TAX CONTRIBUTIONS AND TAX RETRIBUTIONS ON ORIGINAL INCOME OF DISTRICT REGIONS IN INDONESIA FOR THE 2017-2022 PERIOD

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ABSTRACT

Taxes and tax levies in Indonesia play a central role in supporting Local Original Revenue (PAD), which is the main pillar of funding for local governments to implement various development programs and provide public services. The involvement of taxes and levies as a source of local revenue shows its strategic significance in supporting the sustainability of the local economy. The purpose of this study is to investigate the dynamics of tax and tax levy contributions to Local Original Revenue at the district level in Indonesia during the period 2017-2022. A quantitative approach is used to analyze related data in exploring these dynamics. Research findings show that tax contributions (Inpad) and tax levies (Inretda) have a significant relationship with Local Original Revenue. The regression model used showed an excellent degree of adjustment, with an R-squared of 0.8514 and an adjusted R-squared of 0.8512, as well as a statistically significant F-. From a multicollinearity perspective, Variance Inflation Factor (VIF) analysis shows that regression models do not suffer from serious multicollinearity problems, and the coefficient estimation results can be considered reliable. This finding reflects that tax contributions and tax levies do not only focus on revenue aspects alone, but also reflect the close relationship between the tax sector and regional financial stability. In addition, the findings of this study provide empirical support to the important role of taxes and tax levies in strengthening Local Original Revenue and, more broadly, regional finance in Indonesia. The implications of these findings can guide local government policies in designing more effective tax strategies, as well as raising public awareness of their contributive role in supporting development and public services at the local level. Therefore, this research is expected to make a positive contribution in improving regional financial sustainability and supporting sustainable economic growth in Indonesia.

Keywords: tax_1 contribution; Tax levy_2; Regional original income_3

1. INTRODUCTION

Giving authority to regions to manage their government affairs is a strategic step aimed at increasing regional autonomy and bringing public services closer to the community. In the context of a unitary state such as the Republic of Indonesia, a structured government system involving districts, cities and provinces allows for more accurate policy adjustments according to the needs and characteristics of each region. This is in line with the basic principle of the state which prioritizes people's sovereignty, which is realized through tax regulations as the main instrument for implementing state sovereignty. Law Number 18 of 1997, as the legal basis for regulating regional taxes and levies, has undergone several changes to adapt to development dynamics and community needs. These changes are reflected in amendments to Law Number 34 of 2000 and most recently Law Number 28 of 2009. Through this provision, regional governments are given the authority to impose taxes and levies in accordance with the characteristics and economic potential of each region.

Implementation of the tax system at the regional level has a significant impact in supporting local economic development and community empowerment. With fiscal autonomy, regions can be more independent in managing their resources and budgets, accelerate infrastructure development, and improve community welfare. Apart from that, the granting of this authority also strengthens relations between the central and regional governments, creating synergy

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in efforts to achieve overall national development goals. Thus, granting authority through the regional taxation and levy system not only creates autonomy, but also becomes a vital instrument in supporting state sovereignty and realizing better public services for the Indonesian people. These steps demonstrate the government's commitment to continue to improve the efficiency and effectiveness of government, while providing space for active community participation in the country's development process (Bagijo, 2011).

Taxes and levies, as fiscal policy instruments, are the main foundation used by local governments to fund development projects and provide public services to the community. Local Original Income (PAD) stands out as one of the main pillars of financing for local governments in Indonesia, and is largely obtained through tax and levy revenues. The significant contribution of this sector not only covers regional financial aspects, but also penetrates deep dimensions of local currency value. Regional taxes and levies are not just a means of collecting income, but are key elements in supporting sustainable development and equitable public services throughout the region. The success of the contribution of taxes and levies in supporting the regional economy cannot be ignored. Its significant impact includes improving infrastructure, community welfare, and creating a conducive business environment. Apart from that, the contribution of regional taxes and levies to public services is very striking. This funding gives local governments an extra push to continually improve the quality and scope of public services, creating a better environment for community life as a whole.

Therefore, awareness of the importance of taxes and levies as vital instruments in development and public services needs to be increased to ensure regional sustainability and progress. By ensuring the availability of adequate funds, local governments can provide services that are more efficient and responsive to community needs. The impact is not only felt economically, but also has implications for the welfare of society as a whole. Public services financed through Regional Original Income have the potential to provide wider benefits, such as increasing accessibility to education, improving public health, and improving infrastructure that supports local economic development. As part of efforts to create effective fiscal policies, changes in tax regulations continue to be made to ensure that this system can adapt to economic dynamics and societal needs. Amendments to Law Number 18 of 1997 are proof of the government's commitment to optimizing the management of regional taxes and levies to support sustainable development.(Riduansyah, 2003).

Regional governments have statutory regulations for administering taxes and levies which are regulated in Law Number 28 of 2009 which regulates regional levies and taxes. Audits should be conducted using this legal basis to accurately understand tax contributions and duties(Ismail, 2013).Several major changes will occur in the economy between 2017 and 2022. Such as variations in inflation, GDP growth, and the portion of taxes and levies on Original Regional Income (PAD). The basic rights of the community to obtain quality public services are also influenced by these developments, this can also be seen in regional financial elements(Mintalangi et al., 2022). One important factor in negotiations is that it is the basis for increasing regional income. Importantly, local governments have also implemented fiscal measures to increase the effectiveness and efficiency of tax collection. Rising commodity prices and a decline in the world economy are two examples of external factors that may influence regional productivity. Taxes and levies contribute to Original Regional Income (PAD), and this section analyzes the external dynamics that influence this contribution. (Purwandari, E. 2021).

The acronym PAD, which refers to Original Regional Income, includes funds generated and received by a region in accordance with the provisions of the regulations and legislation governing that region. Details related to this concept can be found in Article 1 number 15 of Law Number 33 of 2004, which regulates fiscal balance between the central government and regional governments. The main components of PAD that are legally recognized include regional taxes, regional levies and regional assets, as described in Article 1(1) of the law. Apart from that, there are other legal sources that provide guidance related to the management of Original Regional Income. Optimally implemented local taxation plays an important role in controlling PAD growth, creating a stable financial basis for local governments. Furthermore, Regional Original Income (PAD) and the ability to manage regional finances are not only important elements in determining the success of a region's development, but also reflect the region's economic independence and sustainability. In other words, the balance between PAD growth and effective regional financial management is a crucial foundation in providing sustainable development and optimal public services for the community.

Regional tax revenues are used to fund regional spending as part of the state funding mechanism. The province levies several taxes on various forms of water, including taxes on vehicles, gasoline, and surface and ground water. Meanwhile, the district is tasked with collecting taxes from various companies such as hotels, restaurants, entertainment venues, advertising agencies, street lights, and Class C mining operations (Rubiyanto and Rahayu 2019).

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Regional taxes and levies have a significant effect on Regional Original Income (PAD), according to research by Meinanda, RF, & Larasati, AY (2021) and Setiono, H. (2018). More precisely, these findings show that PAD is negatively impacted and strongly influenced by regional taxation. Regional original income is strongly influenced by regional taxes and levies when viewed as a whole. However, it should be remembered that this research only covers one district, so the main aim is to expand the range of subjects. So, the main aim of this research is to analyze the impact of changes in taxes and levies on local government treasuries in Indonesia from 2017 to 2022.

2. LITERATURE REVIEW

2.1 Locally-generated revenue

Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments has a central role in the context of determining Original Regional Income (PAD). This law provides a strong legal basis for regulating the allocation and distribution of funding between central and regional levels of government. As an instrument of fiscal balance, this Law is an important reference in detailing various aspects related to Original Regional Revenue, ensuring justice and balance in financial management between government agencies. Thus, Law Number 33 of 2004 provides a solid foundation to support financial stability and economic growth throughout Indonesia. In this concept, PAD refers to all income earned and collected by a region, which is explained comprehensively by Mariot Pahala Siahaan (2016:14).

Elements related to Original Regional Income (PAD) include various components which are the main pillars in supporting regional government finances. Among these are regional taxes, regional levies which make a significant contribution, proceeds from Public Service Agency (BLU) services which have an important role in revenue, and also income from the management of separated assets. In addition, Regional Original Income also involves other sources of legitimate PAD, forming a holistic and diversified financial structure, which in turn supports sustainable development and the provision of public services at the regional level. The importance of increasing the level of PAD revenue is not only a financial indicator. More than that, this increase reflects the level of independence of a region in managing and utilizing its own economic resources. In other words, the increase in PAD creates a stronger foundation for realizing regional economic autonomy and sustainability.

For example, regional taxes and regional levies are two main elements that make a large contribution to PAD. Local taxes, such as property taxes or sales taxes, create a significant source of revenue to support local government policies and programs. On the other hand, regional levies, which involve payments for services or facilities provided by regional governments, are an economic instrument that encourages optimal use of regional resources. Apart from that, the results of Public Service Agency (BLU) services are also an important part of PAD. BLU, which often plays a role in providing public services such as health, education and transportation, can create additional income that can be allocated to community needs. Likewise, the results of separated wealth management can become additional resources for local governments to finance development projects.

Therefore, the overall concept of PAD as a result of Financial Balance between the Central Government and Regional Governments not only creates financial balance, but also builds the basis for regional independence and sustainability. By increasing public awareness of the importance of paying taxes and improving the quality of public services, local governments can maximize PAD potential, create a strong local economy, and overall empower the region to achieve sustainable progress. The importance of a high level of PAD revenue lies in the fact that this not only strengthens the financial aspects of a region, but also reflects the region's ability and independence in financing the needs of its own government and society. In this context, a high level of PAD revenue can be interpreted as the result of effectiveness and efficiency in managing regional resources and implementing appropriate fiscal policies. Good achievements in terms of PAD revenues can create a significant positive impact, especially in reducing regional government dependence on budget allocations provided by the central government. Increasing regional financial independence can have positive implications for local economic development.

Regions that are able to generate and manage income independently have greater flexibility and control in determining development priorities, including the development of infrastructure and public services. Thus, increasing PAD revenues not only supports regional financial stability, but also triggers sustainable economic growth. In this overall context, Law Number 33 of 2004 is an important basis for achieving financial balance between the central and regional governments, as well as encouraging financial independence. area. Through this approach, local governments are expected to become more proactive in managing finances, increase resource efficiency, and have a positive impact on regional development and community welfare. The Act opens up opportunities for responsive and innovative

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financial policies at the local level, allowing local governments to operate more independently. By strengthening financial independence, sustainable improvements in regional development, infrastructure and public services are anticipated.

Local governments need to implement policies that encourage the optimization of local resources. Increasing PAD revenues does not only rely on taxes and levies, but also involves efforts to manage regional wealth efficiently. Development of the Public Service Agency (BLU) service sector is one of the important strategies for diversifying regional income sources. However, challenges related to PAD acceptance cannot be ignored. Public awareness of the importance of tax contributions is needed, as well as increased professionalism in tax administration to ensure revenue optimization. Apart from that, transparency in the use of PAD funds is also the key to building public trust in local government. In this era of economic dynamics and policy changes, the role of PAD is increasingly vital. Continuous evaluation and adjustments to tax regulations and regional levies need to be carried out so that this system can adapt to the development of community needs and changing economic conditions. Thus, PAD is not only a fiscal instrument, but also a strategic instrument in supporting sustainable development and community welfare at the local level (Moehammad Budi Widajanto, 2018).

Saragih (2003) states that an increase in Original Regional Income (PAD) is actually an indicator that reflects the continuity of economic growth in a region. Positive economic growth naturally has a positive impact on Regional Original Income. The results of research by Desmawati, et al. (2015), quoted by Bappenas, shows that the elasticity analysis of Regional Original Income towards Regional Gross Regional Product (PRBD) at the provincial government level has an elasticity value of around 1 (more than one). This indicates that any changes to the PRBD will have a positive and significant impact on changes in PAD, illustrating the close relationship between economic growth and the potential for increasing Original Regional Income. In other words, positive economic growth can be the main driver of increasing Original Regional Income, reflecting the close relationship between regional economic dynamics and the potential for higher regional income. The importance of economic growth in encouraging an increase in PAD can also be seen from the perspective of developing local economic sectors . Regions that are able to design development policies that support potential sectors can create new opportunities to increase Regional Original Income. Therefore, a well-planned economic development strategy is crucial for local governments in their efforts to increase PAD in a sustainable manner.

2.2 Tax Contributions

Tax contributions are financial contributions imposed by the government on individuals or legal entities as the main source of income to support public spending. Taxes can be grouped into two main categories: direct taxes, which are imposed directly on the income or wealth of individuals or companies, for example income tax and corporate tax; and indirect taxes, which are imposed on goods and services, such as value added tax (VAT) or customs duties.(Richard M.bird, 2014).

2.3 Taxes and Tax Levy

- ***Tax***

To increase revenue, governments impose financial obligations on individuals, businesses, and other entities in the form of taxes. Government operations, such as the provision of public services, infrastructure development, and funding of social programs, are the primary targets of the tax system. Income tax, value added tax (VAT), and property tax are all possible types of taxes. Legal requirements regulate the procedures for collecting taxes, which are mandatory and controlled (Bapenda West Java 2023).

- ***Tax Levy***

This can be interpreted as compensation for using certain services or facilities. Usually, these levies are related to the use of regional resources or the provision of services. Taxes can take various forms, including taxes on parking, advertising and public facilities. In this context, tax contributions are proportional to the benefits enjoyed by society and the business world as a result of public infrastructure and services. Taxes are broad and based on income, while levies are more targeted and tied to consumption of specific goods or services. Both are tools the government uses to fund programs and services. (West Java Bapenda 2023).

2.4 The Effect of Taxes and Levies on the Economy

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Because of their authority in local funding, which allows them to maximize local economic potential, local governments are motivated to actively seek local sources of income. One approach is to implement regional levies and taxes. In the context of determining regional tax regulations, local regional regulations consider and assess the region's ability to determine taxes in order to increase regional income. Through this financial instrument, local governments aim to access a variety of local economic potential which can be utilized as a source of regional income (Jacline Sumual et al. 2017).

Sunarto and Sunyoto (2016) emphasized that increasing regional tax rates and levies has significant implications in supporting regional government efforts to fund various initiatives to stimulate regional economic growth and increase regional cash revenues. The results of research conducted by both of them show that local taxes have a large positive impact on economic growth. Increasing the level of taxes and levies not only brings financial benefits, but also provides extra encouragement for local governments to improve the quality of public services and support local economic development. By increasing tax and levy rates, local governments can generate additional income that can be used for development projects and public services, open up opportunities for job creation, and provide a positive impetus for economic growth at the local level.

Regional taxes, in this context, are not only considered as a means of collecting funds, but also as a strategic instrument to stimulate regional expenditure directed at efforts to encourage local economic growth. By increasing tax revenues, local governments can be more effective and proactive in designing and implementing development programs that support regional sustainability and prosperity. Therefore, the phenomenon of increasing regional taxes and levies can be identified as a strong foundation for sustainable economic development at the regional level, as well as achieving regional government financial goals.

The importance of increasing regional tax collection does not only lie in the financial aspect, but also has a huge impact on the economic development of a region. Efficiency in managing local tax revenues can be a catalyst for the growth of related industries and local economic expansion. With increased tax revenues, local governments have greater ability to provide financial support for development initiatives that can spur economic growth. In addition, optimal tax revenues also create a conducive investment environment, enabling local governments to mobilize the resources needed to overcome development challenges. Therefore, it is important to understand that local tax revenues are not just a financial tool, but are the main key to realizing sustainable economic growth at the local level.

Through Rizka and Anissa's research in 2021, which focused on the impact of taxes on Original Regional Income (PAD) by examining the 2015-2019 fiscal year period at the Cimahi City Regional Revenue Agency (Bappeda), it was found that the impact reached an average of 42, 38%. These findings indicate that regional taxes and levies play a critical role in shaping regional spending policies. A previous study conducted by Rubiyanto and Rahayu in 2019 also showed that regional taxes and levies have a significant influence on regional spending. Therefore, it can be interpreted that taxes and levies are not only a source of income, but also an important instrument in regulating regional financial policies. These findings provide a deeper understanding of how tax and levy mechanisms can have a real impact on the financial condition of a regency, strengthening the argument that taxes and levies have an important role in shaping a regency's initial income. The working hypothesis of this research can best be expressed as following:

H1:Regional tax contributions have a positive effect on local original income
H2:Regional tax levies have a positive effect on local original income

3. Methods

All information used in this research comes directly from the official website of the Indonesian government, namely https://djpk.kemenkeu.go.id. To carry out the analysis, this source was used. The descriptive approach is the first step in data analysis; the aim is to examine the data in question without making sweeping assumptions (Sugiyono, 2008). In addition, this research is quantitative, meaning that statistical methods work well with data that is numerical in nature. Numbers and values are the data used in this research. Specifically, we want to know how much influence regional taxes and tariffs have on PAD at the regional level (Rizki, SA, Nengsih, I., & Agustin, K. (2021). The goal of this approach is to achieve objective findings by measuring and analyzing numerical data, including statistical data.

There are 2,453 APBD (Revenue and Expenditure Budget Realization Reports) from districts in Indonesia which were used as samples for this research. The selection of this sample was based on criteria covering a six year

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time span, namely 2017 to 2022. Regency APBD data is comprehensive and this sample is part of it. Purposive sampling technique was used to determine the sample, which means that specific criteria related to the research objectives were applied to select the sample.

(**Table 1. Overview of the Research Sample)**

INFORMATION	SAMPLE													
	2017	%	2018	%	2019	%	2020	%	2021	%	2022	%	AMOUNT	PERCENT (%)
"Determining Sample Number of Districts"														
Number of Districts	416	100	416	100	416	100	416	100	416	100	416	100	2496	100
Doesn't Have Data X1,X2,Y	(10)	2.40	(9)	0.00	(9)	0.00	(6)	0.00	(3)	0.72	(6)	0.00	43	1.72
Final Sample Number/Year	**406**	97.60	**407**	**97.84**	**407**	**97.84**	**410**	**98.56**	**413**	**99.28**	**410**	**98.56**	**2453**	98.28
Sample Size 2017-2022													**2453**	**100**
	Data Source: Processed by Researchers, 2024													

3.1 Operational Variabel

(Table 2. Operationalization of Variables)

Name	Variable operationalization	Data source
PAdit	Measured by total regional revenues which include regional taxes, regional levies, results from the management of separated regional assets, and other sources that are valid according to law.	Directorate General of Financial Balance, Ministry of Finance of the Republic of Indonesia (DPJK)
PADAit	Measured by the natural logarithm (Ln) of the amount of tax revenue to total state or regional income, including direct and indirect taxes, as well as the effectiveness of tax collection	Directorate General of Financial Balance, Ministry of Finance of the Republic of Indonesia (DPJK)
RETDAit	The size of the Regional Government in 2017-2022, is measured by the natural logarithm (Ln) t such as levies for the use of regional facilities or services, and is determined by the applicable levy rates.	Directorate General of Financial Balance, Ministry of Finance of the Republic of Indonesia (DPJK)

Source: Processed by the researcher (2024)

This research has a significant objective, namely evaluating and analyzing the impact of the contribution of regional taxes and levies on Regional Original Income (PAD) in Indonesia. The data used comes from the Directorate General of Fiscal Balance, Ministry of Finance, guiding this research to better understand the depth of the role of taxes and levies in strengthening regional fiscal capacity. Through a quantitative approach, this research tests the hypothesis that increasing efficiency in the tax collection process and adjusting levy rates can have a positive impact on PAD growth. PAD growth in this context is considered an indicator of regional fiscal independence, reflecting the ability of regional governments to provide the financial support necessary to implement development programs.

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Data obtained from official sources provides a strong basis for evaluating the role of regional taxes and levies in supporting regional finances. It is hoped that an in-depth understanding of efficiency in tax collection and adjustments to levy rates can provide valuable insights for increasing regional fiscal capacity. It is hoped that the conclusions of this research will be able to provide a more comprehensive view of how the effectiveness of the regional tax and levy system can influence PAD growth, which ultimately determines regional independence and ability to work on development projects needed to improve community welfare. By exploring in depth the impact of regional tax and levy contributions, this research can make a positive contribution to the development of fiscal policy at the regional and national levels.

4. Results And Discussion

4.1 Statistical Description of Variables

(Table 3. Descriptive Statistics of Variables)

Information	Mean	Standard Deviation	Min	Max
PAdit	25.39	1.11	21.87	29.21
PADAit	23.96	1.48	14.38	29.07
RETDAit	22.50	1.38	13.12	26.02

Number of Observations = 2453
Explanation of variable operationalization in table 2.
*) In trillions of rupiah

Source: Secondary data, STATA output (Processed by the researcher, 2024)

Descriptive statistics for three variables measured in trillions of rupiah: PAdit, PADAt, and RETDAit. The following is a scientific explanation for each statistical column provided:

The average (mean) is a central measure that determines the middle value of a data set, as seen in the current Regional Original Income (PADit) with an average of 25.39 trillion rupiah, reflecting the middle position of PADit values. Standard deviation shows how far the values in a data set are spread out from the mean; Lower values such as 1.11 for PAdit indicate smaller variations compared to PADAt which has a standard deviation of 1.48. Minimum values, such as PADit with 21.87 trillion rupiah, indicate the lower limit of the values observed in the data set, while maximum values, such as PADit with 29.21 trillion rupiah, indicate the upper limit. Taken together, these indicators provide a comprehensive picture of the distribution, variation, and range of values in a data set, facilitating understanding of the overall characteristics and individual variations in the data. Overall, the mean gives an idea of the middle position of the data, the standard deviation shows how far the data are spread out from their mean, and the minimum and maximum values show the range of values in the data set.

This table also shows that there were 2453 observations used in this analysis, which is a large enough number to produce solid estimates in descriptive statistics, provided the data are well distributed and representative of the population studied.

4.2 Variable Correlation Analysis

(Table 4. Variable Correlation Analysis)

Variable	PAdit	PADAt	RETDAt
PAdit	1,0000		
PADAit	0.3856 (0.0000)	1,0000	-0.1106 (0.000)
RETDAit	- 0.2343 (0.0000)		1,0000

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Number of Observations = 2453.
Explanation of variable operationalization in table 2.
***, **, * = significant P-value 1%, 5%, 10%.

Source: Secondary data, STATA output (Processed by researchers, 2024)

It is the output of statistical analysis, specifically a correlation matrix. A correlation matrix is a table that shows the correlation coefficient between a number of variables. The correlation coefficient ranges between -1 and 1, where values close to 1 indicate a strong positive correlation, values close to -1 indicate a strong negative correlation, and values close to 0 indicate no correlation.

In the correlation matrix, (PADAit) shows perfect correlation with itself, which is reflected by a correlation value of 1.0000, a general property that shows that each variable is always perfectly correlated with itself. On the other hand, (PADAit) and (RETDAit) share a weak negative correlation, with a value of -0.1106, indicating that an increase in (RETDAit) tends to be associated with a small decrease in (RETDAit) even though this relationship is not significant. Furthermore, (PADit) shows an interesting relationship; there is a weak to moderate positive correlation with (PADAit) of 0.3856, indicating that an increase in (PADAit) could potentially be followed by a moderate increase in (PADit) Conversely, (PADit) shows a weak negative correlation with (RETDAit) (-0.2343), indicating that an increase in on (RETDAit)can slightly reduce the value of (PADit)The overall analysis reveals how these variables interact and correlate with each other in a given context, revealing the complex dynamics of relationships between variables. Additional rows and columns with the number 0.0000 may indicate non-significant results or variables that were not tested in the correlation. It is important to note that correlation does not indicate causality. That is, although two variables may move together (positively or negatively), this does not mean that one variable causes a change in the other.

4.3 Hypothesis Testing Results

Variable	Sign expectations	PAdit
		Score
Cons		7,697***
		(0.000)
PADAit	H1	0.583****
		(0.000)
RETDAit	H2	0.008****
		(0.000)
Obs.		2453
Prob > F		0.0000
R-squared		0.8514
Vif means		1.89

Explanation of operationalization of variables in the table
***, **, * = significant P-value 1%, 5%, 10%.

Source: Secondary data, STATA output (Processed by the researcher, 2024)

Table 5 shows the results of hypothesis testing for the variables "PADit sign expectations" and "RETDAit" in the regression model. Apart from that, the table also lists the average VIF value and VIF test results for each independent variable. Based on scientific explanations regarding VIF, the average VIF value for the model is 1.89, which shows that on average, the independent variables in the model do not show a high level of multicollinearity. In addition, the VIF test results show that the multicollinearity between the independent variables in this regression model is moderate and is unlikely to interfere with the reliability of the coefficient estimates. Therefore, from a multicollinearity perspective, this regression model is considered stable.

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Based on the results of the hypothesis test, it can be concluded that the variable "PADit sign expectations" shows a significant impact on "Regional Original Income" (PAD) with a significance level of 0.000. On the other hand, the "RETDAit" variable does not make a significant contribution to PAD, with a significance value of 0.000. Therefore, it can be suggested that the variables "Expectation sign PADit" and "RETDAit" are believed to have a significant influence on PAD.

The significant findings on the variable "PADit sign expectations" indicate that the level of expectations for Original Regional Income (PAD) has a substantial impact on the realization of PAD. On the other hand, the lack of significance in the "RETDAit" variable indicates that this factor may have a limited or even insignificant influence on Regional Original Income. Therefore, to increase Original Regional Income, focus needs to be given to aspects that influence expectations for PAD, while also considering other factors that can strengthen the influence of the "RETDAit" variable on PAD. Further analysis can provide deeper insight for the development of more effective policies in increasing Regional Original Income.

5. Conclusion

Based on research findings regarding the contribution of taxes and tax levies to Original Regional Income (PAD) in Regencies in Indonesia in the 2017-2022 period, it can be concluded that this research makes a significant contribution in understanding the dynamics of regional income. The two independent variables, tax contribution (Inpada) and tax levy (Inretda), apparently have a significant relationship with Original Regional Income, providing an in-depth understanding of the extent of their contribution in shaping the regional economy. The regression model used in this research shows a very good level of adjustment, with an R-squared of 0.8514 and an adjusted R-squared of 0.8512. A statistically significant F-statistic indicates that the model is able to explain significant variations in Regional Original Income. The importance of tax contributions and tax levies as a source of regional income, which indirectly reflects the level of economic independence and sustainability of a region. Thus, this conclusion provides a strong basis for formulating policies related to optimizing regional income. Regional governments can consider strategies to increase tax revenues and tax levies by intensifying efforts to increase public awareness of tax payment obligations. Apart from that, improving the quality of public services is also a crucial factor in increasing taxpayer compliance and encouraging regional economic growth.

From a multicollinearity perspective, Variance Inflation Factor (VIF) analysis shows that the regression model does not experience significant multicollinearity problems. This confirms that the independent variables used in this research are mutually independent, so that the coefficient estimation results can be considered reliable. Thus, local governments can respond with confidence to the results of this research in designing more effective and sustainable fiscal policies. Make further contributions to the literature related to regional economic research. Through this research, policy makers, academics and practitioners can understand that optimizing regional income is not only technical, but also involves complex social and economic aspects. Therefore, it is hoped that these conclusions will not only provide practical direction for regional governments, but also trigger further discussions and research to continue to explore the potential and challenges in achieving sustainable regional prosperity.

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AUTHOR CONTRIBUTIONS

Dini Zalzabila Edtri, students involved in this research are responsible for collecting secondary data. Apart from that, the author is also tasked with carrying out initial analysis of the data that has been collected, assisting in compiling statistical test results, and contributing to the organization of the research results and discussion sections.

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