

Title: Manila Memorial Park, Inc. and La Funeraria Paz-Sucat, Inc. vs. Secretary of the Department of Social Welfare and Development and the Secretary of the Department of Finance

Facts:

On April 23, 1992, Republic Act (RA) No. 7432, the Senior Citizens Act, was enacted providing senior citizens with a 20% discount on certain services and allowing establishments to claim the discount as tax credit. To implement RA 7432, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 02-94, erroneously defining the discount as a tax deduction, a move that led to the Central Luzon Drug Corporation case wherein the Supreme Court clarified that the law envisioned the discount as a tax credit, not as a deduction.

Subsequently, on February 26, 2004, RA 7432 was amended by RA 9257 (Expanded Senior Citizens Act), changing the incentive scheme from a tax credit to a tax deduction, which petitioners Manila Memorial Park, Inc. and La Funeraria Paz-Sucat, Inc., both providers of funeral and burial services, challenged on constitutional grounds. They argued that such a tax deduction equates to taking of private property for public use without just compensation, violating Article III, Section 9 of the Constitution. The Department of Social Welfare and Development (DSWD) and the Department of Finance (DOF) issued respective implementing rules for RA 9257, which the petitioners also contested.

The petitioners submitted a Petition for Prohibition under Rule 65 of the Rules of Court directly to the Supreme Court, bypassing lower courts and seeking a declaration of unconstitutionality of Section 4 of RA 7432 as amended, as well as their implementing rules insofar as they allowed the 20% discount to be claimed as a tax deduction, hoping to reinstate the original tax credit treatment.

Issues:

1. Whether the petition presents an actual case or controversy.
2. Whether Section 4 of RA 9257 and its implementing rules and regulations are invalid and unconstitutional because they allow the 20% discount given to senior citizens to be claimed as a tax deduction by private establishments.

Court's Decision:

The Supreme Court dismissed the petition for lack of merit, sustaining the validity of the 20% senior citizen discount and its treatment as a tax deduction under RA 9257 as an

exercise of police power by the state. The Court clarified that the Central Luzon Drug Corporation case's remarks on eminent domain were obiter dicta and not binding. It was pointed out that the burden of proof lies on the petitioners to demonstrate that the law's effect is unreasonable, unjust, and confiscatory, which they failed to do. The Court found no constitutional infirmity with the regulation and ruled that the reduction of income of private establishments due to the senior citizen discount doesn't amount to an "unlawful taking" without just compensation since adequate controls allow businesses to adjust prices to offset the discounts.

#### Doctrine:

The Senior Citizens Act, granting a 20% discount to senior citizens and providing establishments the ability to claim such discounts as a tax deduction, is a valid exercise of police power, not amounting to an unconstitutional taking under eminent domain, as long as it is not unreasonable, oppressive, or confiscatory in nature.

#### Class Notes:

- Police power vs. eminent domain: In police power, property rights may be regulated for the public welfare without compensation, whereas in eminent domain, property taken for public use requires just compensation.
- Presumption of constitutionality holds unless there is a clear and unequivocal breach, and the party challenging the statute must establish its unconstitutionality.
- The reduction in net income due to regulations like senior citizen discounts does not automatically equal a compensable taking, unless proven oppressive or unjust.
- Businesses can adjust their pricing strategy to recoup losses resulting from statutory discounts.

#### Historical Background:

The Senior Citizens Act initially allowed a tax credit as a reimbursement method for businesses providing senior citizen discounts. Controversy ensued when implementing rules misconstrued this as a tax deduction, leading to a Supreme Court ruling that clarified the intent of Congress. This setup was altered when RA 9257 amended the law to replace the tax credit with a tax deduction, prompting a constitutional challenge premised on the argument that the change resulted in a taking of private property without just compensation. The constitutional contest brought forth questions of state police power, the nature of public welfare regulations, and the distinction between regulatory measures and compensable taking under eminent domain.