

Title

City of Baguio vs. Fortunato de Leon, G.R. No. L-23965, December 19, 1964

Facts

Fortunato de Leon, a real estate dealer, owned property in Baguio valued between P10,000 and P50,000. Despite generating rental income, De Leon did not pay the P50 annual license fee mandated by a city ordinance (Ordinance No. 218), resulting in a P300 total debt for the years 1958 to 1962. The City Treasurer of Baguio, without the City Mayor's consent, initiated a complaint in the City Court of Baguio to recover the unpaid fees. De Leon contested the ordinance's constitutionality, arguing it involved double taxation and violated uniformity, and he questioned the City Court's jurisdiction.

Procedural Posture:

1. ****City Court of Baguio:**** The City Court upheld the ordinance, validating De Leon's liability.
2. ****Court of First Instance:**** De Leon challenged the City Court's jurisdiction and the ordinance's constitutionality. The lower court ruled against De Leon.
3. ****Supreme Court:**** De Leon appealed, questioning the ordinance's validity and the proper forum for the initial complaint.

Issues

1. ****Jurisdiction:**** Whether the City Court of Baguio had jurisdiction over the case involving the constitutionality of a city ordinance.
2. ****Validity of Ordinance:**** Whether Ordinance No. 218 is ultra vires for lack of statutory authority.
3. ****Double Taxation:**** Whether the ordinance imposes double taxation in violation of due process.
4. ****Uniformity:**** Whether the ordinance violates the constitutional requirement of uniformity in taxation.
5. ****Procedural Requirement:**** Whether the complaint should have been initiated by the City Mayor instead of the City Treasurer.

Court's Decision

Jurisdiction:

The Supreme Court held that the City Court of Baguio had jurisdiction because the complaint sought to recover an amount within its monetary threshold. The involvement of constitutional issues did not negate its jurisdiction, presuming the ordinance's validity until

proven otherwise (analogized with Nemenzo and City of Manila cases).

****Validity of Ordinance:****

The ordinance was not ultra vires. Republic Act No. 329 amended the City's charter, granting expansive authority to regulate, license, and tax. The Court followed *Medina v. City of Baguio*, upholding similar statutory provision interpretations.

****Double Taxation:****

Citing U.S. jurisprudence and local precedents, the Court ruled that double taxation, in itself, does not violate the due process clause short of confiscation or other unconstitutional conducts. Hence, the issue was dismissed given Baguio's authority to tax and license activities.

****Uniformity:****

The ordinance classified real estate dealers based on property value, establishing different fees. This classification did not violate the constitutional requirement of uniformity, adhering to principles in *Philippine Trust Company v. Yatco* and subsequent clarifications in *Eastern Theatrical Co. v. Alfonso* and *Manila Race Horses Trainers Assn. v. de la Fuente*.

****Procedural Requirement:****

The assumption was that the City Treasurer acted within his authority, similar to a department head representing executive approval unless explicitly disapproved by superiors (*Villena v. Sec. of the Interior*). Hence, the complaint's legitimacy by the City Treasurer was upheld.

Doctrine

The power to license, tax, and regulate businesses within their jurisdiction granted by municipal charters includes:

1. ****Jurisdictional Presumption:**** Lower courts possess jurisdiction over cases within monetary thresholds even with constitutional defenses.
2. ****Statutory Authority:**** Broad statutory grants must be interpreted to justify ordinances unless expressly limited.
3. ****Double Taxation:**** Not inherently unconstitutional; local ordinances can impose taxes without breaching due process.
4. ****Uniformity:**** Tax provisions apply uniformly to similar classes, allowing reasonable classifications.

Class Notes

- **Jurisdiction:** City Courts have jurisdiction for monetary claims within their limits even with constitutional queries involved.
- **Legality of Ordinances:** Broad statutory powers generally support local ordinance validity unless clearly restricted.
- **Double Taxation:** Not a constitutional issue unless resulting in confiscation or other unconstitutional practices.
- **Uniformity in Taxation:** Taxes should apply equally within similar classes, supporting reasonable classifications.
- **Procedural Formality:** Authority exercised by a City Treasurer can implicitly hold City Mayor's approval unless disapproved.

Historical Background

This case illustrates the evolving understanding of municipal and legislative authority in the Philippines, especially post-World War II, reflecting the territorial and administrative strengthening through expanded municipal powers. The historical context includes the push for localized governance autonomy amidst America's indirect influence over Philippine policy post-independence. The decision underscored the broad administrative powers granted to newly autonomous regions within the Philippines, vital for understanding decentralization and local governance structures during that period.