

2014

Oregon Department of Revenue

Government-To-Government Annual Report

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Executive Summary

The mission of the Oregon Department of Revenue is to make revenue systems work to fund public services that preserve and enhance the quality of life for all citizens. We partner with Oregon tribes to achieve this mission. Representatives from the personal income tax, cigarette and other tobacco products tax, corporation, and property tax programs work together with tribes to resolve issues of concern. Following are items of interest for the year of 2014.

- Personal Income Tax—Ongoing education and assistance; increase in exempt income forms filed correctly; participated in the Economic and Community Services Cluster; attended Spring Gathering, Tribal Day, and other tribe-state training events.
- Cigarette Tax—Finalized revenue sharing agreement with the Confederated Tribes of Coos, Lower Umpqua and Siuslaw for Other Tobacco Products (OTP) tax.
- Property Tax—Met with the Tribal Tax Work Group (TTWG) to evaluate a tribal legislative concept and to gather input on a possible amendment to an administrative rule regarding tax exemption of certain property; participated in the Economic and Community Services Cluster; attended the Spring Gathering, and annual Tribal Day activities.
- Corporate Tax—Monitoring continuing discussion and work on 2012 Bureau of Indian Affairs (BIA) regulation.

Department Statement

The Oregon Department of Revenue continues to maintain good relationships with Oregon tribes. The department's tribal key contact, Jim Bucholz, takes the lead in working with employees who are developing and implementing programs affecting the tribes. The primary contacts with the tribes are for the personal income tax (Leah Hinton), property tax (Rick Schack), corporation tax (Don Jones), cigarette and other tobacco products tax (Vera Helbert) and tax collection (John Galvin).

Developing partnerships with other entities to achieve our mission is of primary concern. The unique legal status of Oregon tribes as sovereign nations makes the tribes some of our most important partners. As such, we are active participants in the Economic Development and Community Services Cluster group meetings and attend the annual summit in order to build and improve these partnerships.

We attended the Key Contact Training session given at the Tribal Government Day at the state capitol and encourage our staff to attend the Tribal Information Day to learn about Oregon tribes and appreciate their cultures. Our cigarette and OTP operations manager attended *Working in Indian Country* training given by Larry Keown, CEO of a company dedicated to providing educational and consulting services to government and businesses in the area of tribal-government-corporate relations. Other partners include various tax practitioner groups statewide to which we present information on Indian taxation issues.

Personal Income Tax Program 2014 Highlights

The department's personal income tax program deals directly with tribe members. Our goal is to provide assistance and education to tribe members in meeting their filing requirements. We had another successful processing season and have continued to see a decrease in the number of tribe members we have had to contact to get the Oregon Native American Exempt Income form in order to process their return.

We have also responded to many questions from tribe members on whether they need to continue to file every year, even though their situation hasn't changed. Tribe members are still required to file an Oregon return and the Oregon Native American Exempt Income form each year, even though they continue to meet the requirements for subtracting their income and do not owe any tax. This eliminates the need for us to later contact them as part of our non-filer program and our Form W-4 program when they file exempt for withholding purposes. We are grateful for the continuing cooperation from tribal leadership with respect to collection issues.

The personal income tax program actively participated in Economic Development and Community Services Cluster meetings involving state agencies and the tribes and other events throughout 2014. The personal income tax program also sent representatives to participate in a *Working in Indian Country* training presented by Larry Keown regarding tribe-government-corporate relations in March, and in the Spring Gathering hosted by Grand Ronde in May.

Personal Income Tax Ongoing

One of our goals is to assist Oregon taxpayers in becoming more self-sufficient. We continue to update and maintain tribal information regarding taxation on our website at www.oregon.gov/dor. We welcome feedback and comments on the effectiveness of the website from tribe members and work to improve the information and ease of using the site.

Cigarette and Other Tobacco Products Tax Program 2014 Highlights

Under the provisions of ORS 323.401, the department maintains cigarette tax refund agreements with eight Oregon tribes: the Confederated Tribes of the Warm Springs Indian Reservation, the Confederated Tribes of the Umatilla Indian Reservation, the Klamath Tribes, the Confederated Tribes of Grand Ronde, the Confederated Tribes of Siletz, the Coquille Indian Tribe, the Burns Paiute, and the Confederated Tribes of Coos, Lower Umpqua and Siuslaw.

Under these agreements, the tribes agree that Oregon cigarette tax will be paid on all cigarettes sold by tribally licensed cigarette retail outlets, including sales to tribe members on federal trust lands. In turn, the department agrees to share tax revenue with the tribes based upon tribal rolls and Native American per capita cigarette consumption rates. We believe the agreements are in the best interest of the tribes and the State of Oregon and will assist the department in effectively administering the Oregon cigarette tax program.

Other Tobacco Products

During 2014, department representatives worked with the Confederated Tribes of Coos, Lower Umpqua and Siuslaw to negotiate an agreement for revenue sharing of taxes paid on other tobacco products (non-cigarettes) sold by tribally licensed retail outlets. This agreement is similar to the cigarette tax refund agreements. Department representatives attended an agreement signing ceremony with the Coos tribe on November 17, 2014. The department plans to work with the other tribes during 2015 to discuss revenue sharing agreements for other tobacco products. The Klamath tribes have already expressed interest.

Property Tax Program 2014 highlights

During 2014, the property tax program hosted, and co-facilitated with tribal members, two sessions (March and August) with the Tribal Tax Work Group (TTWG) on the subject of a late 2012 BIA leasing regulation and related court cases. The TTWG is composed of representatives from the tribes, county assessment offices, state Department of Justice, the Governor's Office, and the Department of Revenue. At the August TTWG session, tribal members shared a draft legislative concept they intend to bring to the 2015 Legislature pertaining to the tax treatment of real property owned by non-tribe members and situated on tribal trust land that is leased.

Working through the TTWG, the department initiated discussion of possible changes to an administrative rule (OAR 150-307.180) intended to clarify language related to qualifications for exemption of tribe owned properties, and to improve alignment with current case law. We will continue to gather stakeholder input. The final disposition of the proposed rule is uncertain.

The property tax program actively participated in Economic Development and Community Services Cluster meetings involving state agencies and the tribes and other events throughout 2014. The property tax program also sent representatives to participate in a *Working in Indian Country* training presented by Larry Keown pertaining to tribe-government-corporate relations in March, and in the Spring Gathering hosted by Grand Ronde in May.

Property Tax Ongoing

The Property Tax program will continue to work through the TTWG to share information and solicit input regarding the aforementioned tribal legislative concept and the separately proposed administrative rule amendment. The Property Tax program will also remain actively engaged in the work activities of the Economic Development and Community Services cluster as well as in training and workshops that promote stakeholder communication and education.

Corporation Tax Program 2014 highlights

The corporation tax program attended some cluster meetings and Legislative Commission on Indian Services meetings during 2014. The program continues to monitor the workgroup that is addressing issues related to the 2012 BIA rule's application to property taxes and leased property. The program is unaware of any corporation income tax matters arising from this rule. However, program is ready to work with the Oregon tribes if any corporation income tax matters come to light.

Corporation Ongoing

We will continue to attend meetings scheduled by the tribes and the Legislative Commission on Indian Services to maintain awareness of the tribes' concerns and develop the relationship. We will also extend the tribes an invitation to participate in our legislative and rules processes.

We will continue to work cooperatively with tribal representatives, as they present issues or have questions, to develop mutual understanding and look for agreed upon ways to partner toward solutions.