

**GOVERNMENT-TO-GOVERNMENT
ANNUAL REPORT
By
OREGON DEPARTMENT OF REVENUE
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Department Statement

The Oregon Department of Revenue continues to maintain good relationships with the Oregon Tribes. The department's tribal key contact 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, Property Tax, and Cigarette Tax programs.

The department stresses the importance of the unique legal status that the tribes retain as sovereign nations by distributing the Governor's Executive Order and SB 770 among staff and discussing possible ways to improve our relationship with the tribes. The department director and deputy director attended the 2005 State and Tribal Government-to-Government Summit. Several staff members continue to attend regularly the Economic Cluster meetings. These meetings provide an excellent forum for sharing information and developing relationships between the tribes and the department. At the Cluster meetings, tribal members have expressed their appreciation for the department's working with them to resolve issues of importance.

Personal Income Tax

Native American Information on Web site:

The Department of Revenue administers the Personal Income Tax program and comes in contact with individual tribal members from all the tribes in Oregon. The department gathered information from a number of sources within the department regarding Native American issues and placed it on our Web site ([HTTP://egov.oregon.gov/DOR/](http://egov.oregon.gov/DOR/)). This site provides tribes and tribal members with information about tax programs administered by the department that is specific to their concerns. It provides access to forms, Frequently Asked Questions (FAQs,) information circulars, policy guidelines, links to other sites, and lists of key contact people.

Much of this information has been duplicated on our internal Web site. Also included on the internal site are links to tribal Web sites, to the Legislative Commission on Indian

Services, and to internal policies and procedures. The information on this site allows our staff not only to become familiar with Native American taxation issues, but also to learn more about the Oregon Tribes and their history as well. We believe this site will help our staff to provide accurate, consistent, and faster customer service to the tribes and tribal members.

2005 Personal Income Tax Filing Season

We had a successful season in processing returns for tribal members claiming the Native American subtraction. As a result of the following efforts, we were in able to process tribal members' returns faster and use fewer resources:

- This was the first year that tax preparation software companies included the Native American Exempt Income form as part of their electronic filing package. Now tribal members who file electronically do not need to submit paper copies of this form. The department also is able to eliminate the additional handling that was needed for these returns.
- The department updated the databases of exempt properties so we can research questions more quickly. We want to thank the tribes for helping provide information regarding new properties that qualify as "Indian Country".
- We also had fewer amended returns and written objections this year, thanks to the good working relationship with individual tribal members.

Taxation of Income from Native American Fishing Rights

Working with the Governor's Office and the Attorney General's Office, the department developed a policy regarding the taxation of income received from Native American fishing treaty activities. This process was lengthy and detailed, due to the legal complexities involved. We believe the resulting policy represents a good balance between Tribal treaty rights and federal and state law. The department presented the policy at a recent meeting of the Economic Cluster Group and will continue discussing it with other stakeholder groups in the coming months. This policy is available on the department's Web site.

Outreach Activities

Personal Income Tax staff presented information to various tax practitioner groups in Portland, Bend, and Salem regarding taxation of Native Americans. Two of the newest members of the department's Native American Taxation Team attended the Tribal Information Day at the State Capitol. They learned a lot about the different tribes and felt it was an excellent educational experience.

Property Tax Program

Draft Policy Guidelines

During 2006 the department prepared draft policy guidelines that are intended to enhance quality relationships among stakeholders regarding property tax practices and Native American property. A central feature of the guidelines will be to ensure uniform and equitable property tax practices as provided under the law. As part of the process, we want to work with the affected stakeholders, including the Governor's Office and the

Legislative Commission on Indian Services, to determine circumstances where legislation, rules, or other enabling authority may be appropriate to address Native American property tax concerns. Our overall goal is to respect and balance the sovereign rights of the tribes with the rights of the political subdivisions of the State of Oregon. Future steps include development of a process to gather input from stakeholders on the proposed policy guidelines.

Cigarette Tax Agreements

The cigarette tax refund agreements between the department and seven Oregon tribes worked well in 2006. Under the provisions of ORS 323.401, the department maintains cigarette tax refund agreements with seven Oregon tribes. These tribes are 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, and the Burns Paiute Tribe. The department is awaiting a response from the representatives of the Confederated Tribes of Coos, Lower Umpqua and Siuslaw to arrive at a mutually acceptable agreement.

Under these agreements, the tribes agree that all cigarette sales, including sales to tribal members on federal trust lands, will be subject to Oregon's cigarette tax. In turn, the department agrees to remit tax refunds to the tribes based upon tribal rolls and per capita cigarette consumption. We believe the agreements are in the best interest of both the tribes and the State of Oregon and assist the department in effectively administering the Oregon Cigarette Tax Program.