

SENATE BILL REPORT

HB 1721

As of April 4, 2005

Title: An act relating to simplifying the concurrent taxing jurisdictions of the tribal municipalities and the state.

Brief Description: Simplifying the concurrent taxing jurisdictions of the tribal municipalities and the state.

Sponsors: Representatives Hunter, Orcutt and McIntire.

Brief History: Passed House: 3/09/05, 93-3.

Committee Activity: Ways & Means: 3/30/05.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: Federally recognized Indian tribes have the authority to impose taxes, including taxes on the activities of non-Indians who are on tribal trust land. Trust land is land held by the federal government in trust for a tribe and under the jurisdiction of the tribal government. The authority of tribes to impose taxes is entirely a matter of federal law.

State and local governments also have the authority to impose taxes on the activities of non-Indians who are on tribal trust land. Non-tribal businesses on tribal land must collect state and local retail sales taxes on sales to non-Indians in addition to any tribal sales tax. The state retail sales tax rate is 6.5 percent. Cities and counties may impose local sales taxes of 1.0 percent for general purposes. If both a city and a county impose sales taxes, the county tax is reduced by the amount of the city tax and the county gets 15 percent of the revenue from the city tax.

Local sales taxes are administered by the Department of Revenue (department). A retailer collects sales tax from customers at a single rate and remits the total state and local sales tax to the department. The department distributes the local sales taxes to the local governments that impose sales taxes. None of these rate limits or collection and distribution procedures apply to tribal taxes.

The Board of Directors of the Tulalip Tribes has created a municipality within the Tulalip Reservation in Snohomish County. The municipality is known as Quil Ceda Village. The village has developed a business park which includes several major retailers.

Summary of Bill: Quil Ceda Village is defined as a city for the purposes of collection and distribution of local sales taxes. As a pilot project, the department may enter into an interlocal cooperation agreement with any Indian tribe that has a city. The agreement would permit the department to administer and collect a tribal sales tax in the city. Under the agreement, tribal sales tax definitions must be uniform with state and local sales tax definitions, the tribal tax

rate must be no greater than the 1.0 percent rate allowed cities, and the tribe must agree to provide the county with the same percentage of its tax that the county would get from a city tax imposed under state law. The agreement may also cover additional areas of tax administration, including audit and compliance, as may be required to simplify tax administration and tax reporting.

The department must report to the Legislature by December 1, 2006, with information about implementation of the agreement and any issues raised by the agreement. The report must contain a recommendation on the feasibility of extending the pilot project.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2005.

Testimony For: This bill allows the Department of Revenue to enter into an agreement with the Tulalip Tribe to be treated as a city for the purpose of the local tax. It would allow the state to collect the tax for the tribe. This is just like a city annexing property. There are only two tribal cities in the country. The Tulalips followed the federal process to become a city. It took eight years to get this status. The county does not provide many services to Quil Ceda Village. The tribe provides the services. By June, Quil Ceda Village will have created 3,000 jobs held by non-Indians. The tribes also play a big role in the social well-being of the area, contributing a lot of money to charitable causes.

Testimony Against: Snohomish County will experience a \$12.2 million loss over 12 years. The county provides services to the entire county, including the reservation. The tribe does not pay other fees or property taxes to the county. This is a precedent for other tribes. You cannot say no to the other 29 tribes. Non-tribal members have no representation on this tax. Tribal members who do not pay the tax make the decisions with respect to the tax, and non-tribal members benefit from the tax. Non-tribal members do not benefit from the tax. The tribe benefits from the current sales tax. Cities can only incorporate under certain conditions and once incorporated, has responsibilities which Quil Ceda Village does not. Tribal cities possibly could be established within other cities.

Who Testified: PRO: Representative Hunter, prime sponsor; Mel Sheldon, Jr., Tracie Stevens, Tulalip Tribes; Caldie Rogers, Greater Marysville-Tulalip Chamber of Commerce; Mary Swenson, City of Marysville; Bill Tsoukalas, Snohomish County Boys & Girls Clubs.

CON: John Koster, Snohomish County Council; Tom Mitchell, Marysville Tulalip Community Assoc.; Philip Brendale, private citizen; Paul Parker, Wash. State Association of Counties.