

HOUSE BILL REPORT

HB 1721

As Passed House:

March 9, 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: By Representatives Hunter, Orcutt and McIntire.

Brief History:

Committee Activity:

Finance: 2/22/05, 2/23/05 [DP].

Floor Activity:

Passed House: 3/9/05, 93-3.

Brief Summary of Bill

- Permits the Department of Revenue to administer and collect a tribal sales tax in Quil Ceda Village on the Tulalip Reservation.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 8 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Conway, Hasegawa and Santos.

Minority Report: Without recommendation. Signed by 1 member: Representative Ericksen.

Staff: Bob Longman (786-7139).

Background:

Federally recognized Indian Tribes have the authority to impose taxes, including taxes on the activities of nonIndians 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.

Generally speaking, state and local governments also have the authority to impose taxes on the activities of nonIndians who are on tribal trust land. For example, nontribal businesses on

tribal land must collect state and local retail sales tax in addition to any tribal sales tax. The state retail sales tax rate is 6.5 percent. Additional local sales taxes are imposed by cities, counties, and transit districts. Local sales tax rates currently range from 0.5 percent to 2.4 percent, depending on location. The maximum sales tax rate for a city is 1 percent. 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 rate allowed cities under state law, 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.

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

Testimony For: The bill does not authorize a new tax. It costs the state nothing. Quil Ceda Village will be treated the same as any other city for purposes of local option sales taxes. The bill will increase cooperation between the Department of Revenue and the Tulalip Tribes and insure uniformity in administration of local sales taxes. The tribal tax will conform to the state standard for local government taxes. The city tax will produce revenue for essential governmental services provided by the tribe. This bill authorizes an agreement for only one

tribal city tax. Any other tribes who want a similar arrangement will have to come back to the Legislature for a new authorization.

Testimony Against: None.

Persons Testifying: Representative Hunter, prime sponsor; and Tracie Stevens, Tulalip Tribes.

(Information only) Leslie Cushman, Tribal Liaison, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.