



**Comments for the Committee on Ways and Means
Working Group on Income and Tax Distribution**

April 15, 2013

Tribal Government Inclusion in Federal Legislation to Facilitate Collection of Sales Taxes on Remote Sales.

The Navajo Nation strongly urges Congress to protect the tax status of Indian tribal governments by allowing Indian tribes to participate in the imposition and collection of sales taxes under any federal scheme to facilitate, streamline or simplify the collection of sales on remote sales.

The Navajo Nation is a federally recognized Indian Tribe with its reservation located in portions of the states of Arizona, New Mexico, and Utah. The Navajo Nation government is comprised of a judicial branch, executive branch, and legislative branch. The Navajo Nation is comprised of approximately 300,000 enrolled members; approximately 210,000 members live on the Navajo Nation's reservation lands. An additional 80,000 members live in immediately adjacent communities to the Navajo Nation.

The Navajo Nation imposes and administers gross receipts, possessory interest, business activity, fuel excise, oil and gas severance, tobacco products, hotel occupancy, and sale taxes within its territorial jurisdiction. Like state and local governments, the Navajo Nation is becoming more and more dependent on tax revenues, including sales taxes, to supplement federal funding and other government revenue streams. The Navajo Nation government utilizes these tax revenues to fund a broad range of government activities, including economic development, community development, human resources, natural resources, public safety, health services, social services, education, legislative, and judicial services and functions within its governmental jurisdiction. Within the Navajo Nation, it is the Navajo Nation government that residents look to for the provision of governmental services.

In both the House and the Senate bills are pending bills named the Marketplace Fairness Act of 2013. These bills have the stated purpose to "restore states' sovereign rights to enforce state and local sales and use tax laws, and for other purposes." This is an extremely important issue because it will create the sales tax collection system for the next century and does not include Indian tribal governments. It is necessary that the Navajo Nation, and other tribal governments, be afforded an equal opportunity to collect taxes on Internet sales where the purchased goods are delivered to addresses within the boundaries of their respective reservations. Basic fairness calls for the inclusion of tribal governments so that they have the same opportunities to collect taxes as other jurisdictions within the federal system.

Amending Section 7871 of the Internal Revenue Code to include tribes would further



clarify that longstanding federal principles preempting the imposition of state taxes on Indian reservation transactions shall not be overridden by such federal legislation unless mechanisms are provided for tribes to share in sales tax revenues that they have the right to impose and collect, including tribal-state tax collection agreements. This inclusion will allow the tribal governments to fund the essential governmental services within their jurisdiction.

Thank you in advance for your consideration of these requests.

Sincerely,

Ben Shelly, President
THE NAVAJO NATION