



TESTIMONY OF RODNEY BUTLER

Chairman, Mashantucket Pequot Tribal Nation

HOUSE WAYS AND MEANS SUBCOMMITTEE ON SELECT REVENUE MEASURES

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Chairman Thompson, Ranking Member Smith, and members of the Subcommittee, it is my pleasure to be here with you today. My name is Rodney Butler, and I am the Chairman of the Mashantucket Pequot Tribal Nation located in Mashantucket, Connecticut. Mr. Chairman, I am aware this is the first tax hearing on tribal issues in over 25 years- that is both a surprising and concerning statistic. We sincerely appreciate your willingness to conduct this long-overdue hearing to and to hear from tribal leaders who are dealing with these issues on a daily basis.

As you may know, Indian Country has presented a draft tax bill to this Committee that addresses several important tax issues facing our communities.

You will hear today a common thread in our request testimony – that Tribes need to be treated fairly in the tax code. Quite simply, we are asking for parity in the federal tax code and to be treated as other sovereigns in this country, as reflected in the U.S. Constitution, and numerous federal laws, treaties, and federal court decisions. Without question, tax parity for Tribal governments will allow for greater self-determination, economic growth, and self-sufficiency for Indian Country.

The purpose of my testimony today is to discuss other tax issues that must be addressed by Congress, including dual taxation and Tribal government pensions. These issues strike at the heart of tribal sovereignty.

Dual Taxation

Like all governments, sales taxes and personal property taxes are a critical source of government revenue for Tribes. Under current law, states and Tribes are allowed to tax non-



tribal businesses that are conducting commerce on Indian reservation lands. This dual taxation has created significant economic harm to Tribes across the country.

Since 2013, the Town of Ledyard, Connecticut, has aggressively assessed and collected taxes on leased slot machines and personal property owned by non-Indian businesses on my Tribe's reservation. We have worked diligently to diversify our economy and bring economic development to our Reservation, including the opening of Tanger Outlets at Foxwoods in 2015. However, instead of us collecting the tax revenue from this development, the Town of Ledyard has intrusively taxed these businesses, despite the tribe providing all on reservation governmental services and infrastructure maintenance.

Furthermore, asserting our full taxing authority to fund these services is economically infeasible because we do not want to expose our patrons, tenants, and vendors to "double taxation", which would most certainly dampen our on-reservation economic development. This inequity is further compounded by the fact that the diverted tax revenues from on-reservation businesses are used by state and local governments to serve non-Indian populations in neighboring communities, rather than our citizens on our reservation.

Now is the time for Congress to take immediate action to do away with this tax policy that severely undermines our sovereignty and economic growth, and limits the ability of tribal governments to provide essential services to their citizens.

Tribal Government Pensions

Another issue that has caused economic harm is the treatment of tribal government pensions under federal tax law. Unlike state and local governments, Tribes are required to maintain two separate pension plans—one for employees who perform jobs deemed as "essential government functions" and another for employees who are part of a commercial enterprise that is wholly owned and operated by the Tribe.



This inequity ignores the fact that many state and local governments have employees who work at state-owned and operated commercial operations, such as lotteries, liquor stores, golf courses, banks, and other for-profit quasi-commercial ventures.

While state and local governments may have one pension plan for all of their employees, Tribes must maintain separate plans for each category of workers. This disparity in the tax code places a significant financial and administrative burden on tribal governments. Some tribes have opted not to provide pensions because of the excess burden, which ultimately hurts the people who would benefit the most—our employees.

We urge Congress to end this inequity in the tax code so that Tribes can operate one comprehensive government pension plan for all of our employees.

We, in Indian Country, are pleased with this Committee's interest to hold this hearing, and we would encourage Members of the Committee to enact legislation to address some of the most glaring discrepancies in the tax code. Such legislation will promote tax code fairness and economic development in Indian Country.

Chairman and Members of this committee, thank you for allowing me to testify today and for your attention to these issues. On behalf of the Mashantucket Pequot Tribal Nation, I encourage you to prioritize the passage of this legislation this year.