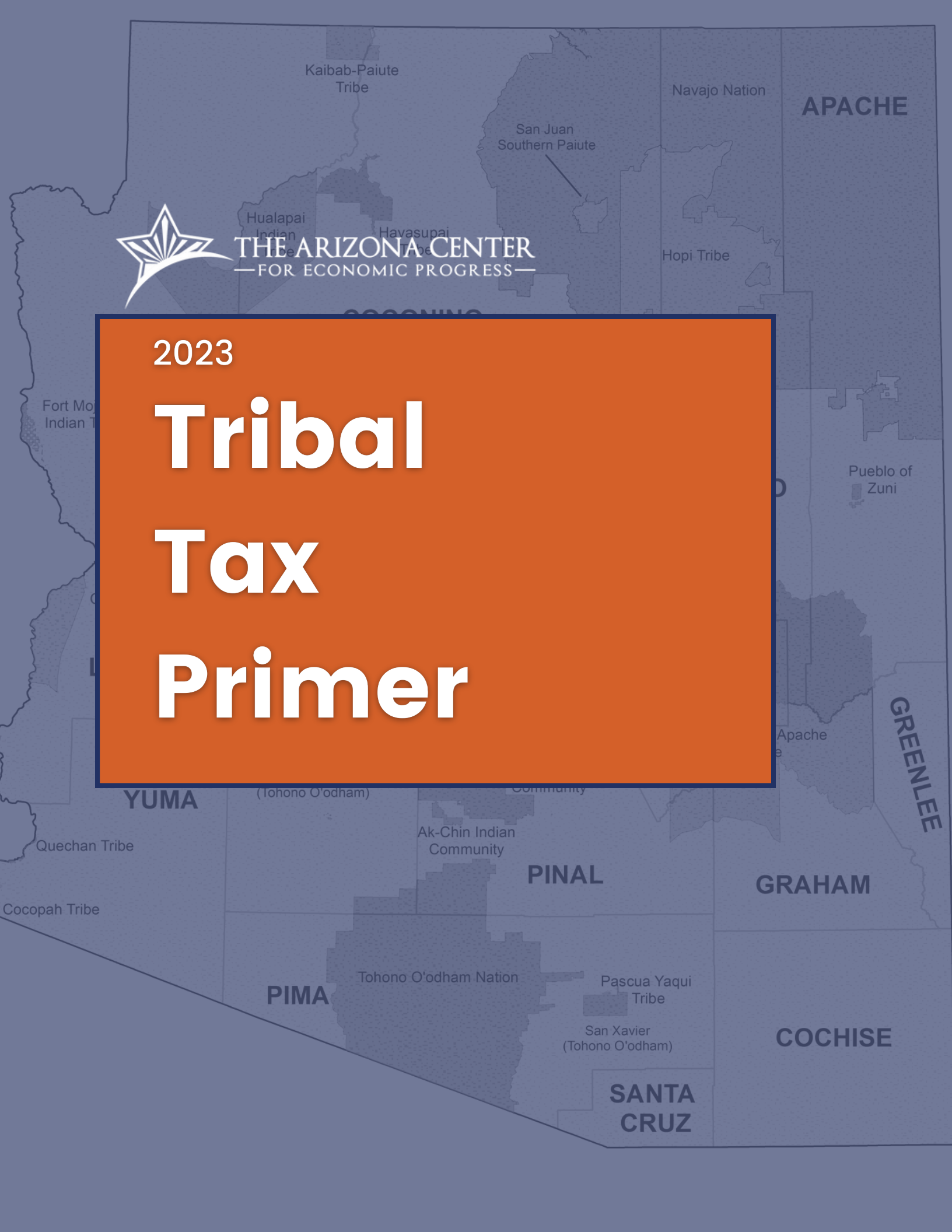




THE ARIZONA CENTER
— FOR ECONOMIC PROGRESS —

2023

Tribal Tax Primer



BASIC CONCEPTS OF STATE TAXATION

Overview of Taxation in Arizona and Applicability in Tribal Communities

Taxes are critical for creating a thriving economy and society. Governments collect revenue through various forms of taxes in order to provide goods and services for the general public instead of earning a profit for its leadership or shareholders like traditional businesses. Tax structures vary across levels of government. From state or tribal government to local government, each governing body usually has the authority to determine its own tax laws based on its local economic conditions and policy goals. While there is no one-size-fits-all approach to the tax structure in each jurisdiction, most revenue comes from four primary sources: sales taxes, individual income taxes, corporate income taxes, and property taxes.

While these are the most common sources, there are other taxes that may be applicable depending on where you earn your income, reside, or purchase goods. This primer will outline Arizona's state tax landscape and its complex intersection with the 22 tribal nations located in Arizona whose reservations cover 27 percent of the state's landmass.¹

To begin, we will examine Arizona's tax system through three buckets: taxes on purchases, taxes on income, and taxes on property. In many cases, tribal members who live on reservations are exempt from many of these taxes instituted by the state of Arizona. Tribal members still pay tribal taxes collected by their respective tribe. Meanwhile, the U.S. Supreme Court ruled in 1980 that state governments may tax nontribal members physically present on reservations if federal law does not prohibit the tax and the tax does not hinder the ability of the tribal government to perform its functions, especially in the context of sales and excise taxes.² With this in mind, we will proceed to first examine Arizona's transaction privilege tax (TPT).

Transaction Privilege Tax ("Sales Tax")

Sales taxes are a form of consumption tax levied on retail sales of goods and services. You likely have seen a sales tax reported on the bottom of a receipt after you made a purchase at a store. Sales tax rates can have a significant impact on where consumers choose to shop, but the sales tax base—what is and is not subject to sales tax—also matters. For instance, if large household appliances are not taxed in a neighboring state and you live close to the state line, you may consider making the purchase in that other state in order to realize a savings on sales tax. In many cases where a state has a sales tax, but a neighboring state does not, the state with a sales tax also institutes a use tax to try to combat tax avoidance by its residents crossing state lines for purchases, but enforcement often proves difficult.³

In Arizona, the transaction privilege tax is commonly referred to as our state’s sales tax – though it is technically a gross receipts tax levied by the state on sellers for the privilege of conducting business in the state.⁴ Though the seller typically passes the burden of the tax onto the buyer, the seller is the party that remains liable to the state for the tax. Arizona TPT is currently 5.6 percent of the total cost of the transaction.⁵ Six tenths of that TPT is dedicated for K-12 and postsecondary education to support teacher salaries, the state K-12 equalization formula, and other needs.⁶ While most goods are taxed under Arizona’s TPT, many services are not.⁷ For example, the new set of tires you purchase for your car would be taxed until the TPT, but the service of having the tires installed is not taxed, if the charge for service is shown separately on the sales invoice and records.

In many cases on tribal reservations, if one person involved in the transaction (either the buyer or seller) is a member of a Native American tribe, the transaction is not subject to Arizona TPT. However, if neither the seller nor the buyer is an enrolled member of a tribe, the transaction will be taxed. Table 1 below details common purchasing scenarios that may take place on a reservation and whether the state TPT applies.

Table 1: Scenarios Involving Purchase of Goods on a Native American Reservation

	Buyer is a Tribal Member	Buyer is Not a Tribal Member
Seller is a Tribal Member	Scenario 1: Exempt from AZ TPT	Scenario 2: Exempt from AZ TPT; AZ Use Tax Applies to Buyer
Seller is Not a Tribal Member	Scenario 3: Exempt from AZ TPT	Scenario 4: AZ TPT Applies

The above table is derived from the Arizona Department of Revenue (DOR)’s Transaction Privilege Tax Ruling TPR 22-1 and accompanying state statute.⁸ We will assume that tribal members (buyers and/or sellers) are engaging in a business transaction on their own reservation.





Scenario 1: Both Seller and Buyer are Tribal Members

If both the seller and buyer are enrolled members of a tribe, Arizona's TPT does not apply to the transaction.

Scenario 2: Seller is a Tribal Member or Entity/ Buyer is Not a Tribal Member

If only the seller is a tribal member or is a tribally owned corporation, then the sale remains exempt from state TPT. In turn, the buyer must pay use tax on the goods they acquired, which is equal to the 5.6 percent rate of the TPT. In practice, since the buyer is required to report this use tax on their own, the state often does not receive use tax from a purchase that occurred on tribal lands.

Scenario 3: Seller is Not a Tribal Member/Buyer is a Tribal Member

If only the buyer is a tribal member and not the seller, the sale remains exempt since the transaction took place on the reservation of the buyer's tribe.

Scenario 4: Neither Seller nor Buyer is a Tribal Member

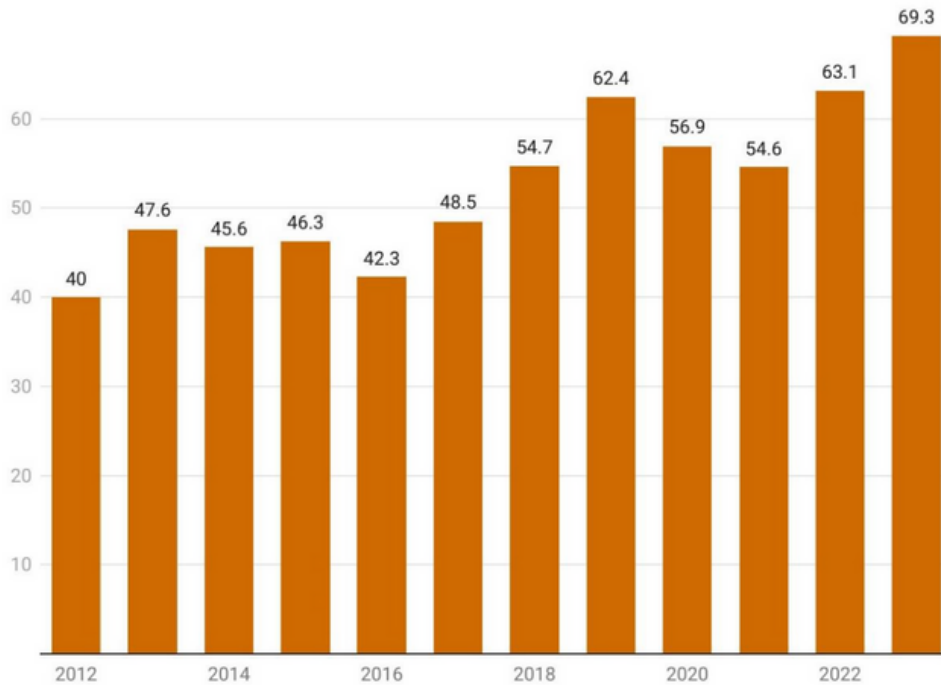
In only the situation where neither the seller nor the buyer is a member of the tribe on whose reservation the transaction took place does the Arizona TPT apply. For example, most transactions occurring at stores at the Phoenix Premium Outlets located on the Gila River Indian Community's reservation are subject to the state TPT, because neither the store (e.g., Polo Ralph Lauren, Coach, Under Armour, etc.) nor the buyer (an Arizona resident who lives in Maricopa County) are enrolled members of the Community. This results in taxation where a nontribal customer must pay both the state and tribal sales tax and the tribe only receives direct revenue from its own TPT since the state largely does not share TPT revenue with tribes. In contrast, Arizona cities and counties capture revenue from their own TPTs and receive a dedicated share of state TPT revenue through established revenue sharing.

Though the state TPT only applies in one of the four scenarios described above, nontribal businesses located on reservations remit tens of millions of sales tax dollars to the state of Arizona each year. In total, in budget year 2023, transactions on the 22 tribal reservations in Arizona yielded over \$69.3 million to the state.¹⁰ A more complete breakdown by tribe can be seen in the appendix. A representation of TPT revenue collected from reservations can be seen in Figure 1. Though contributions declined in 2020 and 2021 during the COVID-19 pandemic, sales taxes collected on reservations returned to pre-pandemic levels and totaled \$63.1 million in fiscal year (FY) 2022 and \$69.3 million in FY 2023.

Figure 1:

State TPT Revenue Collected on Arizona Reservations By Year

Revenue in Millions of Dollars.



State fiscal year runs from July - June.

Chart: Arizona Center for Economic Progress • Source: Arizona Department of Revenue • Created with Datawrapper

Transaction Privilege Tax Revenue Sharing:

The state of Arizona does not keep the majority of the TPT revenue it collects. Instead, the revenue is distributed to Arizona counties, cities and towns using a formula based on factors other than solely the portion of collections attributable to each locality:¹¹

- 25 percent of TPT revenues are distributed to cities and towns based on their population counts.
- 40.51 percent of TPT revenues are distributed to counties based on a formula that uses population, property valuations, and the portion of TPT collected within each county.
- 34.99 percent of TPT revenues are retained by the state to be allocated to specific programs based on statute with the residual being deposited into the General Fund.

Arizona tribes are not included in the TPT revenue sharing formula described above. Only those tribes that operate a community college and entered into an agreement with the state prior to September 1, 2017, receive a portion of the TPT revenue collected from sales occurring on their lands. The distribution is set at \$1,750,000 or 10 percent of the state TPT collected on the reservation, whichever is less.¹² A tribe which operates an additional technical college is eligible for an additional \$875,000 or 5 percent of the state TPT collected on the reservation, whichever is less. Only two Arizona tribes receive this distribution: the Tohono O’odham Nation, which receives funds for Tohono O’odham Community College, and the Navajo Nation, which receives funds for both Diné College and Navajo Technical College. For the current budget year (2024), Diné College is projected to receive \$591,800, Navajo Technical University \$298,900, and Tohono O’odham Community College \$330,200 from state TPT revenue.¹³ This results in a total of \$2,111,600 for Arizona tribes – \$890,700 for the Navajo Nation and \$330,200 for the Tohono O’odham Nation.

Unlike counties and cities which are free to use their share of state TPT for any allowable purpose, tribes are restricted to spending the TPT revenue they receive to support maintenance, renewal, and capital expenditure needs at community colleges only. The remaining 20 Arizona tribes that do not qualify for this special distribution receive no portion of the TPT collected on their lands.

In addition to receiving a portion of the state TPT revenue, Arizona cities, towns and counties impose their own local TPT. For example, the 8.6 percent total TPT paid by a consumer in Phoenix is broken down as follows:¹⁴

- State general TPT: 5.0 %
- State TPT dedicated to education: 0.6 %
- Maricopa County TPT: 0.7 %
- City of Phoenix TPT: 2.3 %
- **Total TPT experienced by consumer: 8.6 %**

Meanwhile, a nontribal consumer on the Navajo Nation would experience a higher total TPT rate. See the breakdown below:

- State general TPT: 5.0 %
- State TPT dedicated to education: 0.6 %
- Navajo Nation TPT: 5.0 %
- County TPT: 0.5 – 1.3% (Navajo Nation spans multiple counties)
- Municipal TPT: Varies¹⁵
- **Minimum total TPT experienced by nontribal consumer: 11.1 %**



Table 2 below provides a more complete snapshot of total TPT experienced at check-out in several major Arizona cities and the total TPT nontribal consumers felt at several tribal communities. The table also shows how many state TPT dollars from revenue sharing each entity receives. For tribes with reservations that span multiple counties, the minimum total TPT is represented in the “Total TPT” column.¹⁷ As seen in row three, the city with the highest combined TPT, Flagstaff at 9.7 percent, is still not that much above the lowest combined TPT on a reservation at 8.05 percent for the Salt River Pima-Maricopa Indian Community and well below other combined rates experienced on the Navajo Nation (11.1 percent), Gila River Indian Community (12.3 percent), and Tohono O’odham Nation (11.1 percent). These minimum total TPT rates are also illustrated graphically in Figure 2, where the tribal jurisdictions often have higher total TPT rates than cities.¹⁸

Table 2: Total TPT Experienced by Consumers in Select Arizona Cities and Towns and by Nontribal Members on Select Arizona Reservations

	State General TPT	State Education TPT	Tribal TPT	County TPT	Municipal TPT	Total TPT	Distribution from State TPT for fiscal year 2023
Phoenix	5.0%	0.6%	N/A	0.7%	2.3%	8.6%	\$240.1 million
Flagstaff	5.0%	0.6%	N/A	1.3%	2.8%	9.7%	\$11.4 million
Tucson	5.0%	0.6%	N/A	0.5%	2.6%	8.7%	\$80.3 million
Yuma	5.0%	0.6%	N/A	1.11%	1.7%	8.41%	\$14.4 million
Navajo Nation	5.0%	0.6%	5.0%	0.5 – 1.3%	Varies	11.1%	\$2.63 million (community colleges only)
Salt River Pima-Maricopa Indian Community	5.0%	0.6%	1.75%	0.7%	N/A	8.05%	\$0
Gila River Indian Community	5.0%	0.6%	6.0%	0.7 – 1.1%	N/A	12.3%	\$0
Tohono O’odham Nation	5.0%	0.6%	5.0%	0.5 – 1.1%	NA	11.1%	\$0.2 million (community college only)

Figure 2:

Combined TPT Rates for Select Arizona Cities and Tribes

For tribes that span multiple counties, the lowest county TPT was included. Combined TPT rates are rounded to nearest tenth and include state, county, and local TPT for municipalities.

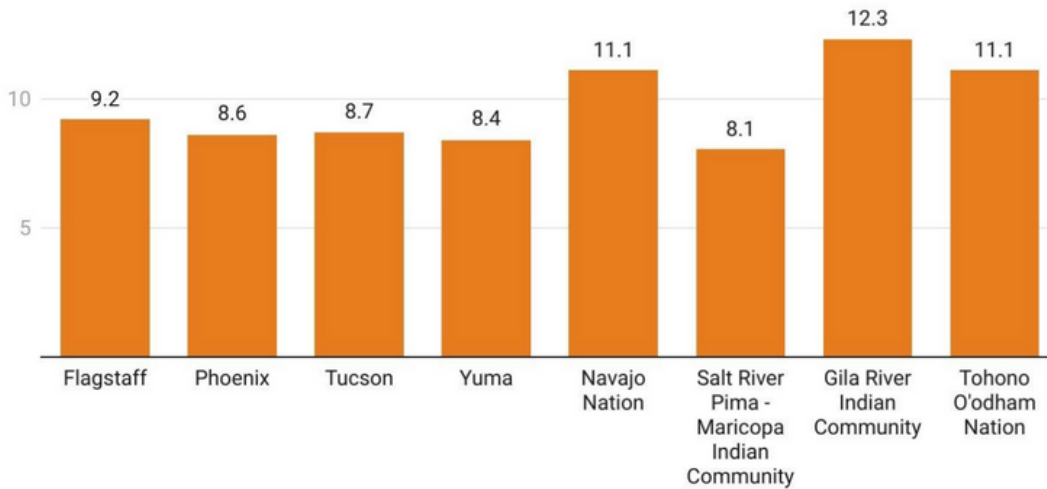


Chart: Arizona Center for Economic Progress • Source: Sales Tax Handbook; Tribal Governments • Created with Datawrapper

While tribes are able to raise funds by imposing their own TPT as seen above in Table 2, they do not have the revenue base available to most Arizona cities and counties. The cities, especially those in Maricopa County, have large populations which is factored into the formula for TPT revenue sharing, as illustrated below in Figure 3. Meanwhile, when total revenue from transactions that generate state TPT on the Navajo Nation or Tohono O’odham reservations do not exceed the maximum dollar amount of funding permitted for tribal community colleges in state statute as noted above, each tribe is limited to receiving a set percentage of state TPT collected on their lands. This percentage of state TPT revenue is lower than the allowed dollar figure, because state law requires the state to transmit the lesser of the two funding options to tribes. Especially for the Navajo Nation, that resulted in a projected decrease in funding in FY 2024 compared to prior years.

Figure 3:

Comparison of Shared State TPT Revenue for Municipalities Compared to Tribes

Revenue in dollars. Total for municipalities accounts for FY23 shared revenue from state TPT and severance tax. Tribal allocations represent JLBC projections for FY24 TPT allocations to tribal community colleges.

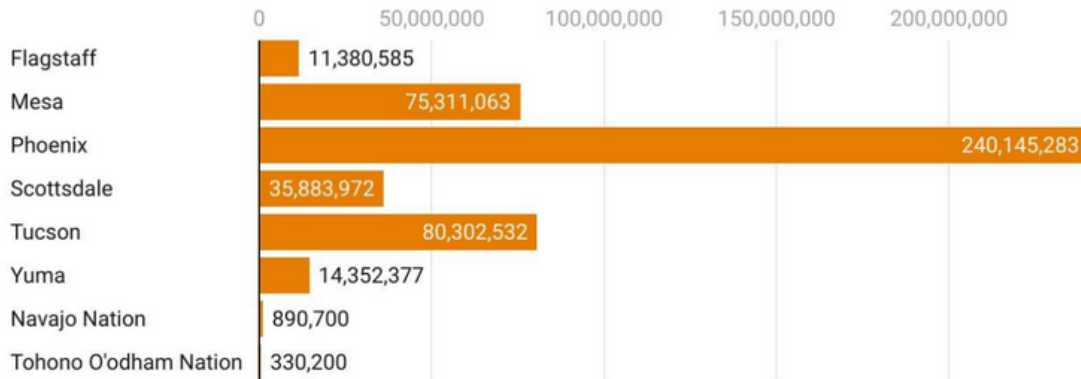


Chart: Arizona Center for Economic Progress • Source: Arizona Department of Revenue; Joint Legislative Budget Committee. • Created with Datawrapper

Possible Adjustments

Tribal governments provide many of the same goods and services as city and county governments, in addition to higher education. They operate police departments, maintain roads, and provide a crucial public health function to mitigate the spread of disease, as seen during the COVID-19 pandemic. The Joint Legislative Budget Committee (JLBC) estimates that the scenarios where state TPT does not apply on reservations mentioned above only costs the state \$20.4 million each year in revenue.¹⁹ As discussed previously, transactions on tribal reservations have generated nearly \$70 million for the state in recent years. Since certain transactions that occur on tribal lands are subject to Arizona's TPT, legislators may want to consider whether Arizona tribes should receive a larger share of state TPT revenue to provide goods and services to their communities. Using Table 1 as a guide, since one out of four types of transactions are subject to state sales tax, a rough estimate would suggest that one quarter of the \$69,309,081 collected on tribal reservations would be \$17,327,270 which in turn,²⁰ could be distributed to the tribes based on a formula created by the legislature. Unlike the distribution to tribes that operate a community college, these funds, just like the funds received by cities and counties, could be used for whatever purposes the tribes determine, such as to improve access to running water, electricity, and quality healthcare

Another option would be to modify the applicability of Arizona's TPT on reservations in a model similar to Arizona's tobacco tax. Proposition 204, passed by Arizona voters in 1994, created an Indian Reservation Tobacco Tax (IRTT).²¹ The IRTT is equal to the sum of two other state taxes on tobacco taxes and amounts to \$1 for a pack of 20 cigarettes.²² The IRTT only applies to nontribal tobacco buyers who buy cigarettes from a retailer on a reservation.²³ The intent behind the IRTT is to discourage smokers from shifting their cigarette purchases to reservations where cigarette taxes may be lower. However, Proposition 204 allowed tribes to secure this revenue. If a tribe chooses to levy a tobacco tax rate at the same rate or equal to the IRTT, then the IRTT does not apply to the purchase.²⁴ The IRTT only applies if a tribe's tobacco tax is less than the state's overall tax rate.²⁵ Even then, the IRTT only amounts to the difference between the tribe's tobacco tax and the state IRTT.²⁶ In response, many Arizona tribes instituted a tribal tax at least equal to the IRTT to capture this revenue from tobacco purchases. If the tribes did not institute or increase their own tobacco taxes, then all of the IRTT revenue would flow to the state.

Using the IRTT as a model, the state could consider modifying its TPT to consider tribal TPT on purchases where the state TPT applies. The state could allow tribes to obtain all revenue collected from a tribal TPT equal to the state TPT, rather than the current process where both state and tribal TPT apply and result in taxation where a significant portion of the combined TPT only goes to the state. If a tribe has a TPT currently below the state's 5.6 percent rate, the tribe could raise the tax and earn additional revenue while the typical consumer who pays the combined TPT would see an overall tax decrease. If a tribe opts for a lower TPT rate than the state's base 5.6 percent rate, the state could collect the revenue resulting from the difference between the tribe's TPT and the 5.6 percent amount. One potential drawback is that raising tribal TPT that would apply to most purchases on reservations could raise equity concerns since enrolled tribal members would experience a net TPT increase. Tribes would likely have to consider forecasted revenue increases along with input from affected tribal members before endorsing this concept.



Though the state and local governments would forfeit some revenue under this model, it would signal the importance of tribal sovereignty as well as recognize the need to fund essential tribal government functions. Tribes would realize additional revenue because nontribal consumers would be accustomed to paying taxes over 5.6 percent on reservations, so even if a tribe raised its TPT to match the state's level, the result would still be a net tax decrease for those consumers. Using the example of the Navajo Nation from above, the Nation could increase its TPT from 5 to 5.6 percent while nontribal consumers would see their overall TPT bill decrease from 11.1 to 5.6 percent if county TPT is preempted as well. Omitting \$69.3 million in tribal TPT revenue from the state's fiscal year 2023 budget of over \$17.8 billion represents only a 0.004 percent impact to the state budget.²⁷

Income Tax

An individual income tax (or personal income tax) is levied on the wages, salaries, investments, or other forms of income an individual or household earns.

The Arizona state individual income tax is levied on the personal income of full-time residents and pro-rated for part-time residents of Arizona.²⁸ Any individual whose permanent home is in the state or a person who spends more than nine months of the taxable year in Arizona is presumed a resident unless evidence can show the individual is in the state for a temporary or transitional purpose.²⁹ The starting point for Arizona individual income tax is the federal adjusted gross income. This measure does not include some sources of income, such as income deductions made for health insurance or retirement savings.³⁰ Effective January 1, 2023, income earned in 2023 for all income levels will be taxed at a rate of 2.5 percent.³¹

The individual income tax is comprised of four components: withholding, estimated tax payments, final payments, and refunds. Generally, withholding payments are from tax on wage and salary-based income, and estimated payments from non-wage earnings. Final payments are made before each year's tax filing deadline. Typically, that deadline is on or around April 15 of the following year. (E.g., This year, the federal and state income tax deadline was April 18, 2023, for income earned in calendar year 2022).

Table 3: Income Tax Scenarios for Arizona Native Americans

	All Income Comes from Employment on the Reservation	A Portion or All Income Derives from Employment Located Outside the Reservation
Native American living on their Reservation	Scenario 1: Exempt from AZ Income Tax.	Scenario 2: AZ Income Tax Applies to Income Earned Off the Reservation.
Native American living off their Reservation	Scenario 3: AZ Income Tax Applies.	Scenario 4: AZ Income Tax Applies.

In Arizona, Native Americans are exempt from state income tax if a tribal member lives and works on their reservation and all of their income comes from a source on the reservation. See Table 3 above (scenario one). If a Native American works off the reservation as seen in scenarios two, three or four, or if they work on a different reservation from their enrolled tribe’s reservation, they must pay state income tax. For a more detailed explanation, see the Arizona Department of Revenue’s (DOR) Individual Income Tax Ruling ITR 96-4.³² Though Arizona tribes have the ability to institute an income tax on their members, few, if any, tribes have elected to institute such a tax. Considering persistent issues relating to economic opportunity and high poverty rates in Indian Country, an income tax likely would not generate significant revenue for tribes.

Corporate Income Tax

A corporate income tax (CIT) is levied by federal and state governments on business profits, which are revenues (what a business makes in sales) minus costs (considered the cost of doing business, such as employee salaries and benefits, equipment costs, office supplies, etc.). Businesses in the U.S. broadly fall into two categories: C corporations, which pay the corporate income tax, and passthroughs—such as partnerships, S corporations, limited liability companies (LLCs), and sole proprietorships—which “pass” their income “through” to their owner’s income tax returns to be taxed under individual income tax laws.³³

In Arizona, the CIT is levied on corporations that engage in business within Arizona.³⁴ The current tax rate is 4.9 percent of taxable income.³⁵ In practice, many corporations use tax credits and other deductions to significantly lower their tax liability.³⁶

Table 4: State Corporate Income Tax Scenarios for Businesses Located on Arizona Reservations

	Revenue Derives Only from Reservation Sources	Revenue Comes from On and Off Reservation Sources
Business Owned by a Tribal Member	Scenario 1: Exempt from AZ Corporate Income Tax.	Scenario 2: AZ Corporate Income Tax Applies to Off Reservation Revenue.
Nontribal Business	Scenario 3: AZ Corporate Income Tax Applies.	Scenario 4: AZ Corporate Income Tax Applies.

Similar to the individual income tax, a business is only exempt from state corporate income tax if the corporation is owned by a tribal member or tribal government and only derives income from reservation sources.³⁷ See Table 4 above in scenario one. Otherwise, the business must pay state income tax for revenue it earns off the reservation in scenario two.³⁸ This is similar to how out of state businesses that operate in Arizona must pay Arizona income tax for income earned in Arizona. Any nontribal business located on a reservation in scenarios three and four, regardless of their source of revenue, is subject to state corporate income tax.³⁹

Urban Revenue Sharing

A portion of the state’s income tax collections are shared with incorporated cities and towns throughout the state. The Urban Revenue Sharing Fund (URS), which was established through a ballot initiative approved by voters in 1972, provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and towns.⁴⁰ Starting in the current fiscal year (FY 2024), the URS distribution percentage will increase from 15 percent to 18 percent of the total income tax collected over the previous two years. This distribution is based on the most recent population estimates of each city and town made annually by the U.S. Census Bureau. For last year (FY 2023), Phoenix received over \$308 million while Flagstaff received over \$14 million from the Tribes do not receive any funding disbursements from URS.⁴¹ Considering that Arizona tribal members living off the reservation and tribally owned businesses conducting business outside the reservation pay income tax, lawmakers may consider whether tribes should be eligible for a portion of the URS distribution.



Property Tax

Property taxes are primarily levied on immovable property like land and buildings and are an essential source of revenue for state and local governments in the United States. Some states, including Arizona, tax other forms of valuable personal property including vehicles, planes, and boats. The owner of record, or the person who is the purchaser under a deed of trust or an agreement of sale, is liable for the payment of the tax. All property in Arizona is subject to taxation unless exempted by law. Most property taxes in Arizona are collected by counties and local governments to fund the maintenance and operation of K-12 schools, community colleges, counties, cities, and towns. Roughly 49 percent of local property taxes collected in FY 2022 helped to fund K-12 schools.⁴² Additional school funding comes the state's General Fund and federal grants.

Though property tax is a major source of funding for local Arizona governments, they largely do not apply on Arizona reservations. For instance, all real property owned by Native Americans on reservations or acquired by an act of Congress is exempt from state and local property tax under the Arizona Constitution.⁴³ Additionally, most tribal reservation land itself is held in trust for the tribe by the federal government. Since the state and any other unit of local government cannot tax federal land, this also prevents tribal trust land from being subject to property tax.⁴⁴ And unlike the state TPT and income taxes described above, property tax revenue is not shared between jurisdictions.

Since a large portion of land within Arizona Indian reservations are held in trust for the entire tribe by the federal government, tribal governments have largely not opted to institute their own property taxes on real property. One close example of a tribal property tax is that the Navajo Nation imposes an oil and gas severance tax on its members that have mineral rights to a piece of land on the reservation.⁴⁵ Otherwise, property tax applied by state or local governments has limited applicability on reservations.



In terms of K-12 education, as opposed to many public-school districts that rely on local property tax in addition to basic state per-pupil aid to fund operations, many school districts located on Arizona tribal lands have little taxable property because the federal government holds most reservation lands in trust for each tribe. These public schools on reservations receive traditional per pupil state aid and federal Impact Aid to support their operations because of the large amounts of non-taxable land on reservations.^{46,47} In addition, Arizona has 34 federal Bureau of Indian Education (BIE)⁴⁸ schools operated by tribes and 20 schools operated by BIE itself throughout the state. These federally funded schools do not receive any financial support from the state of Arizona.

Conclusion

This primer focuses on three main categories of state taxes: sales, income, and property and how they interact with tribal communities. Other types of taxes – including excise taxes, vehicle registration fees, etc. were outside the scope of this project. By and large, tribal members who live, work, and shop on reservations receive exemptions from state TPT (“sales”), income, and property taxes. For commercial activity taking place on reservations, only sales made by nontribal business owners to nontribal buyers are subject to state TPT. Considering these transactions bring in over \$69 million to the state of Arizona annually and in many cases, tribes have invested significantly to foster the success of businesses on the reservation, tribal communities could make a case for a greater share of these funds. Currently, tribes do not receive a share of state sales tax revenue that is distributed to cities, towns, and counties, other than one program specifically for tribal community colleges.

Though individual Arizona Native Americans receive exemptions from several state taxes since their taxing jurisdiction falls under their tribal government’s authority, tribal communities continue to face other challenges. The status of tribal lands, the lack of a thriving economy on many reservations, and the absence of individual property ownership inhibit the opportunities available to tribal governments in Arizona to create a strong tax base. Meanwhile, pollution from abandoned uranium mines continues to pollute sources of drinking water on tribal lands in northern Arizona while tribal communities throughout the state often lack access to reliable electricity, highspeed broadband, and other infrastructure. As we approach the quarter mark of the Twenty-First century, we must celebrate the resiliency of tribal communities while taking steps to address ongoing inequities in Indian Country throughout the Grand Canyon State.

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Appendix

Table 5: Total State TPT Revenue Collected on Arizona Tribal Reservations by Year

State Transaction Privilege Tax Collections by Reservation										
	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Ak Chin	\$179,541	\$151,900	\$213,634	\$70,484	\$188,114	\$205,171	\$159,358	\$50,097	\$37,454	\$88,763
Cocopah	\$22,720	\$8,798	\$15,507	-\$8,580	\$27,867	\$27,395	\$36,951	\$71,272	\$88,287	\$37,106
Colorado River	\$1,301,316	\$1,011,601	\$1,095,103	\$1,068,433	\$991,766	\$892,030	\$790,323	\$1,026,579	\$1,149,236	\$1,105,315
Fort McDowell	\$1,668,172	\$535,029	\$321,999	-\$4,955,727	\$563,686	\$971,911	\$748,117	\$561,336	-\$345,603	\$1,176,182
Fort Mojave	\$553,420	\$656,259	\$743,843	\$805,049	\$753,006	\$347,682	\$879,574	\$270,701	\$215,894	\$245,920
Gila River	\$500,427	\$1,109,673	\$1,415,600	\$1,157,329	\$1,080,549	\$1,079,262	\$841,937	\$978,420	\$1,278,456	\$3,703,909
Hopi	\$188,680	\$111,064	\$112,750	\$88,739	\$245,944	\$97,495	\$115,147	\$311,279	\$480,360	\$170,944
Navajo	\$17,036,870	\$17,865,606	\$19,659,036	\$15,515,192	\$17,236,904	\$18,194,557	\$16,629,084	\$22,370,971	\$26,791,321	\$27,306,386
Pascua Yaqui	\$56,116	\$44,541	\$68,113	\$71,901	\$148,411	\$189,397	\$197,524	\$212,769	\$262,328	\$259,205
Salt River Pima	\$3,340,998	\$5,283,532	\$8,428,501	\$7,522,832	\$5,797,721	\$3,456,567	\$2,150,312	\$2,998,236	\$5,341,101	\$8,285,833
San Carlos Apache	\$52,015	\$84,446	\$60,716	\$136,348	\$70,082	\$281,084	\$113,324	\$178,928	\$440,262	\$107,407
Tohono O'odham	\$1,254,359	\$1,846,458	\$2,146,890	\$2,223,465	\$2,345,064	\$3,575,890	\$2,141,947	\$1,281,121	\$1,321,546	\$1,404,990
White Mountain Apache	\$63,715	\$25,368	\$176,215	\$264,214	\$476,591	\$576,622	-\$277,982	\$524,693	\$185,057	\$204,400
Yavapai Apache	\$98,537	\$90,081	\$121,766	\$94,942	\$156,528	\$166,502	\$180,645	\$180,932	\$185,378	\$100,722
Yavapai Prescott	\$1,080,585	\$2,627,556	\$5,252,498	\$4,648,274	\$3,792,685	\$2,390,887	\$2,135,628	\$2,245,929	\$2,214,631	\$3,086,030
Other (Fort Yuma, Havasupai, Hualapai, Kaibab Paiute, San Juan Southern Paiute Tonto Apache)	\$87,998	\$81,121	\$25,595	\$31,022	\$58,492	\$118,838	\$85,483	\$73,290	-\$1,416	\$122,926
	\$27,485,469	\$31,533,033	\$39,857,766	\$28,733,917	\$33,933,409	\$32,571,290	\$26,927,374	\$33,336,553	\$39,664,294	\$47,406,039

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Ak Chin	\$91,014	\$136,479	\$155,042	\$105,609	\$131,265	\$110,127	\$156,286	\$95,218	\$180,439	\$300,333
Cocopah	\$34,921	\$48,880	\$30,725	\$42,243	\$41,504	\$62,399	\$61,131	\$196,134	\$301,523	\$147,009
Colorado River	\$1,375,097	\$1,314,379	\$1,502,778	\$1,367,986	\$1,749,866	\$1,579,334	\$3,784,263	\$3,836,958	\$3,772,392	\$4,330,856
Fort McDowell	\$394,257	\$321,703	\$369,272	\$2,998,785	\$1,198,524	\$378,306	\$327,028	\$308,567	\$275,188	\$648,064
Fort Mojave	\$196,796	\$151,667	\$172,637	\$199,908	\$225,071	\$143,125	\$100,853	\$130,077	\$329,217	\$325,415
Gila River	\$4,784,697	\$5,134,358	\$4,790,730	\$5,672,876	\$5,213,332	\$5,606,487	\$5,329,259	\$7,878,117	\$10,125,384	\$10,741,307
Hopi	\$192,248	\$188,755	\$212,704	\$219,987	\$315,933	\$199,964	\$185,671	\$204,102	\$236,588	\$405,395
Navajo	\$25,372,669	\$23,555,548	\$18,123,612	\$18,491,502	\$20,978,288	\$27,245,014	\$17,771,564	\$5,192,277	\$5,967,921	\$6,207,663
Pascua Yaqui	\$138,561	\$136,872	\$136,111	\$354,823	\$213,599	\$257,262	\$284,185	\$438,235	\$411,055	\$403,063
Salt River Pima	\$7,156,463	\$9,215,285	\$10,151,347	\$11,887,608	\$16,336,104	\$17,757,008	\$19,916,876	\$24,672,873	\$28,305,063	\$31,197,582
San Carlos Apache	\$134,268	\$66,269	\$193,891	\$242,537	\$148,986	\$279,692	\$325,753	\$561,768	\$692,811	\$1,017,152
Tohono O'odham	\$1,686,444	\$1,763,729	\$1,387,484	\$1,601,667	\$1,904,723	\$2,385,933	\$2,218,410	\$3,526,846	\$3,376,772	\$4,560,351
White Mountain Apache	\$205,944	\$243,769	\$539,348	\$281,320	\$553,902	\$554,519	\$497,415	\$649,460	\$585,099	\$630,726
Yavapai Apache	\$71,556	\$105,733	\$161,106	\$127,985	\$92,542	\$142,202	\$171,435	\$236,397	\$346,298	\$393,254
Yavapai Prescott	\$3,694,937	\$3,783,840	\$4,227,717	\$4,736,072	\$5,132,670	\$5,475,046	\$5,550,106	\$6,445,608	\$7,910,849	\$7,741,551
Other (Fort Yuma, Havasupai, Hualapai, Kaibab Paiute, San Juan Southern Paiute Tonto Apache)	\$105,340	\$155,324	\$140,151	\$142,686	\$422,135	\$257,364	\$195,023	\$242,551	\$268,919	\$259,361
	\$45,635,214	\$46,322,589	\$42,294,654	\$48,473,596	\$54,658,444	\$62,433,783	\$56,875,257	\$54,615,189	\$63,085,519	\$69,309,081

Table 5 above provided by Arizona Department of Revenue Staff.

- ¹Arizona State Gaming Association Staff. 2023. "Tribal Lands and Casinos." <https://tinyurl.com/2s3drr53>
- ²Washington v. Confederated Tribe of the Colville Indian Reservation, 447 U.S. 134 (1980). Also see explanation from Montana Budget and Policy Center Staff. November 2017. "Policy Basics: Taxes in Indian Country Part 2: Tribal Governments." <https://tinyurl.com/2p8djavz>
- ³Though dated, this Seattle Post-Intelligencer article describes the practice of Washington residents crossing the state line since Oregon has no sales tax. Frey, Chrstine. November 27, 2003. "Sales-Tax-Free Oregon Lures Washington Shoppers." Seattle Post-Intelligencer. <https://tinyurl.com/5xp3spb2>
- ⁴Arizona Department of Revenue Staff. No Date. "Transaction Privilege Tax." <https://tinyurl.com/mecmm8hx>
- ⁵Arizona Department of Revenue Staff. No Date. "Understanding Use Tax." <https://tinyurl.com/yr3f9ybj>.
- ⁶Arizona Department of Revenue Staff. March 2002. "Planned Uses of Proposition 301 Monies." <https://tinyurl.com/2p8tmsy8>
- ⁷Craig, Sarah. July 5, 2022. "Does Arizona Charge Sales Tax on Services?" TaxJar. <https://tinyurl.com/2yjmpd2m>
- ⁸Arizona Department of Revenue Staff. May 10, 2022. "Arizona Transaction Privilege Tax Ruling 22-1." <https://tinyurl.com/bdhvcuuh>
- ⁹Arizona Department of Revenue Staff. "Understanding Use Tax." No Date.
- ¹⁰Arizona Department of Revenue Staff. "State Transaction Privilege Tax Collection by Reservation." No Date. Obtained via Email. See appendix for complete data.
- ¹¹Joint Legislative Budget Committee Staff. November 3, 2022. JLBC 2022 Tax Handbook. Pg. 3. <https://tinyurl.com/4fu5szu4>
- ¹²Arizona State Legislature Staff. No Date. "Distribution of Revenues for Indian Tribal Postsecondary Education Institutions: Definition." <https://tinyurl.com/3ptf26dh>
- ¹³Joint Legislative Budget Committee Staff. July 12, 2023. FY24 Appropriations Report. Pg. 95. <https://tinyurl.com/yxpecdxw>
- ¹⁴<https://www.salestaxhandbook.com/arizona/rates/phoenix>
- ¹⁵Some townships on the Navajo Nation have instituted local TPT that can exceed the Nation's base TPT.

¹⁶ Arizona Department of Revenue Staff. November 2023. Annual Report FY23. Page 32, Table 26.
<https://tinyurl.com/2s3862rj>

¹⁷ Figures include TPT and Severance Tax Distribution to municipalities. The inclusion of severance tax distribution will not significantly alter the totals. The state collected \$18 billion in TPT in FY23 and severance was one of other “several taxes” that amounted to \$0.6 billion in FY23 (Page 10 of report linked above). City and county sales tax rates were located on <https://www.salestaxhandbook.com/arizona/rates> and by navigating to the appropriate county and municipality.

Tribal TPT rates were located on each tribe’s website or social media. Estimates for TPT provided to tribal community colleges can be found on page 95 of the FY24 Appropriations Report.
<https://www.azjlb.gov/22ar/fy2022approprrpt.pdf>.

¹⁸ The Salt River Pima-Maricopa Indian Community has instituted a 1.75 percent tribal TPT in part to remain competitive with nontribal customers since a large portion of the reservation borders the City of Scottsdale, which has a 1.75 percent municipal TPT.

¹⁹ Joint Legislative Budget Committee Staff. November 3, 2022. JLBC 2022 Tax Handbook. Pg. 24. xx Examples of legislation to reallocate TPT revenue collected from transactions that occur on reservations include HB 2715 (2022); SB 1565 and SB 1566 (2021) and SB 1188 and SB 1189 (2020).

²⁰ Arizona Department of Revenue Staff, December 18, 2017. Arizona Luxury Tax Ruling LTR 17-3.
https://azdor.gov/sites/default/files/2023-03/RULINGS_LUXURY_LTR17-3.pdf. Pgs. 5-8.

²¹⁻²⁵
Ibid.

²⁶ Joint Legislative Budget Committee Staff. July 12, 2023. FY24 State General Fund Budget Summary. Pg. 1.
<https://www.azjlb.gov/24AR/bh2.pdf>

²⁷ Arizona Department of Revenue Staff. No Date. “Individual Income Tax Information.” <https://azdor.gov/individuals>.

²⁸ Kurt, Daniel. April 7, 2023. “Tax Residency Rules by State.” Investopedia.
<https://tinyurl.com/yfk9s5fa>

²⁹ Arizona Department of Revenue Staff. No Date. “Individual Income Tax Information.”

³⁰ Morris, Landi. March 6, 2023. “What is Arizona’s new flat tax and what does it mean for you? NAU Review.
<https://tinyurl.com/t8nb28n3>

³¹ Arizona Department of Revenue Staff. May 29,1996. “ Arizona Individual Income Tax Ruling ITR 96-4.”
<https://tinyurl.com/3kyjrtx>

³² Entrepreneur Staff. April 7, 2023. “S Corp vs. C Corp: What Are the Differences and Benefits?” Entrepreneur.
<https://tinyurl.com/46mushv5>

³³ Arizona Department of Revenue Staff. No Date. “Corporate Income Tax.”
<https://tinyurl.com/27xh6ueu>

³⁴ Joint Legislative Budget Committee Staff. November 3, 2022. JLBC 2022 Tax Handbook. Pg. 81.

³⁵ Joint Legislative Budget Committee Staff. November 3, 2022. JLBC 2022 Tax Handbook. Pg. 81. 17

³⁶ Visit our State Budget 101 webpage for more information. <https://azeconcenter.org/state-budget-101/>.

³⁷ Joint Legislative Budget Committee Staff. November 3, 2022. JLBC 2022 Tax Handbook. Pg. 82.

³⁸⁻³⁹ Ibid.

⁴⁰ Joint Legislative Budget Committee Staff. November 3, 2022. JLBC 2022 Tax Handbook. Pgs. 81-82.

⁴¹ Arizona Department of Revenue Staff, November 2023. Page 52, Table 36.
<https://tinyurl.com/2s3862rj>

⁴² Joint Legislative Budget Committee Staff. November 3, 2022. JLBC 2022 Tax Handbook. Pg. 114.

⁴³ Arizona Constitution Article XX, Paragraph 5.
<https://tinyurl.com/t5cdfm4>

⁴⁴ In fact, Arizona no longer has a statewide property tax, so property taxes are typically imposed by local government bodies such as school districts, counties, or municipalities.

⁴⁵ Navajo Nation Tax Commission. "Oil and Gas Tax Severance Regulations."
<https://tax.navajo-nsn.gov/>.

⁴⁶ The state of Arizona has an equalization formula to determine how much each school district should spend each year given its student population. Districts generate revenue to match this funding through property taxes. The state makes up the difference between district property tax revenue and the equalization formula amount through state aid. Each district receives a certain amount of state aid to make up the difference between local property tax revenue and the equalization formula amount unless that district raises more than the equalization formula total through local property tax revenue. A more detailed explanation can be found here: Education Law Center Staff, "Arizona School Equalization Primer." January 2020.
<https://tinyurl.com/bdhybfnw>

⁴⁷ Arizona Department of Education Staff. No Date. "Title VII Funding - Impact Aid."
<https://tinyurl.com/4umf267m>

⁴⁸ Bureau of Indian Education Staff. No Date. <https://www.bie.edu/schools/directory>. (Selected Arizona under state drop-down menu)

