

**GOVERNMENT-TO-GOVERNMENT
ANNUAL REPORT
By
OREGON DEPARTMENT OF REVENUE
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Department Statement

The Oregon Department of Revenue continues to maintain good relationships with the Oregon Tribes. The department's tribal key contact takes the lead for working with employees who are developing and implementing programs affecting the tribes. The primary contacts with the tribes are for the personal income tax, property tax, and cigarette tax programs.

The department stresses the importance of the unique legal status that the tribes retain as sovereign nations by distributing the Governor's Executive Order and SB 770 among staff and discussing possible ways to improve our relationship with the tribes. The department director and deputy director attended the 2003 Summit and also sent 10 employees to the Government-to-Government training session conducted prior to the Summit. During 2003, we have negotiated several issues to the satisfaction of both parties and are currently working to resolve several others.

Cigarette Tax Agreements

Under the provisions of ORS 323.401, the department now maintains cigarette tax refund agreements with seven Oregon tribes: the Confederated Tribes of the Warm Springs Indian Reservation, the Confederated Tribes of the Umatilla Indian Reservation, the Klamath Tribes, the Confederated Tribes of Grand Ronde, the Confederated Tribes of Siletz, the Coquille Indian Tribe and the Burns Paiute Tribe. Under these agreements, the tribes agree that all cigarette sales, including sales to tribal members on federal trust lands, will be subject to Oregon's cigarette tax. The department, in turn, agrees to remit tax refunds to the tribes based upon tribal rolls and per capita cigarette consumption. We believe the agreements are in the best interest of both the tribes and the State of Oregon and will assist the department in effectively administering the Oregon Cigarette Tax Program.

During 2003, the department began issuing refunds under an agreement finalized the preceding year with the Coquille Indian Tribe. The department continues to work with representatives of the Confederated Tribes of Coos, Lower Umpqua and Siuslaw to arrive

at a mutually acceptable agreement. The cigarette tax refund agreements are essential in establishing a fair, practical method of administering Oregon tax law requirements and complying with federal requirements governing the sale of cigarettes by the tribes.

Wage Garnishment of Tribal Employees

In order to collect delinquent debt owed to the State of Oregon, the department has requested tribes to garnish the paychecks of employees. We have made significant progress working with the tribes on this issue during 2003. In the past, four tribes honored our requests for wage garnishments. By calling all the tribes and clarifying their needs and process, the department now has agreement from seven tribes to honor garnishment requests from the department.

The following tribes honor garnishment requests with no further action: Confederated Tribes of Grand Ronde; Burns Paiute Tribe; Confederated Tribes of Coos, Lower Umpqua and Siuslaw; and Coquille Indian Tribe. The Confederated Tribes of Siletz and the Cow Creek Band of Umpqua Indians accept the department's garnishments and require department staff to attend Tribal Court before they are enforced. The Confederated Tribes of the Umatilla Indian Reservation have agreed to honor garnishments, and we are working with tribal counsel on the process.

During the coming year, the department will continue to pursue negotiations with the Klamath Tribes and the Confederated Tribes of the Warm Springs Indian Reservation on the issue of wage garnishments and ask their assistance in ensuring that employees of the tribes pay their delinquent debts to the State of Oregon.

This year we also assigned a local Department of Revenue liaison for each tribe on garnishment and collection issues. These employees are in our field offices and will work directly with each tribe if there are concerns or questions about process.

Native American Taxation under Personal Income Tax - Guideline

The Department of Revenue has had several questions arise regarding taxation of tribal members under Oregon's personal income tax program. To assist in clarifying the policy, department staff worked with the Attorney General's Office and the Governor's Office on a simple summary explaining the type of income that qualifies for exemption from taxation under state and federal law. The guideline reflects current federal and state law and regulations and represents the policy that the department has already been following.

The department presented the policy summary to the Legislative Commission on Indian Services and to the Government-to-Government Economic Cluster at their September meetings. We also provided the summary to the tribal attorneys for their information and suggestions. The department is now considering the responses submitted by the tribes, and will use those suggestions as we develop the final policy paper. We will also provide information circulars, and revise forms to more clearly explain application of the department's policy.

Property Tax Program: Valuation of Property

The department is working with the Coquille Indian Tribe on the new telecommunications system (ORCA) that they are installing. Since the department determines the valuation of utility properties, we are responsible for assessing the value of the system. Similarly we have been working with the Cow Creek Band of Umpqua Tribe of Indians on their telecommunications company, RIO Communications.

The department has continued to work closely with the Confederated Tribes of the Warm Springs Indian Reservation regarding the valuation of the purchase of a 1/3 interest in Portland General Electric's Pelton and Round Butte Dams. At the time of the purchase in 2002, a portion of the property became exempt from property tax. The department has been working with representatives of the tribes and the Jefferson County assessor on the taxation issues.