
CWIS #6

Report To Alliance Governments

January 2013

US FEDERAL TAXATION DISPARITIES IN INDIAN COUNTRY

Federal Funding to Indian Nations and Communities and Indian Country's Tax Payments to the United States A Preliminary Assessment

This Report was
prepared using data
and resources
gathered by the
**CWIS Good
Government
Research Group**

© 2013 Center for
World Indigenous
Studies

Registered users of
the Center for World
Indigenous Studies
WEB Site
www.cwis.org may
access a digital copy
of this report under
the "Research" Menu



Center for World Indigenous Studies
PMB 214, 1001 Cooper PT RD SW 140, Olympia, WA 98502

January 2013

Introductory Summary

Why was this study prepared?

The US Internal Revenue Service launched audits and demanded payment of taxes from Indian Governments and individual Indians for what the IRS defined as earned income under the General Welfare Exclusion rule. The IRS claims are based on Congress's enactment of the American Indian Citizenship Act of 1924.

While the IRS has decided to back away from imposing its taxes under the General Welfare Exclusion rule in these and other categories of tribal activity, tribal officials have asked the broader questions: 1. How much do Indian government and tribal members pay to the federal, state and county governments in the form of taxes? 2. How does the payment of taxes into US governments compare with the receipt of grants and contracts revenues received by Indian governments? And 3. Investigate, document and recommend the economic and political (in terms of economic and governance) advantages and disadvantages of taxation by the US government and by Indian governments.

WEB Site www.cwis.org may access a digital copy of this report under the "Research" Menu. For more information contact Rudolph Ryser @ 360-450-5183

Federal Funding to Indian Nations and Communities and Indian Country's Tax Payments to the United States A Preliminary Assessment

American Indian and Alaskan native populations pay 97% in the form of taxes \$8.1 billion of the US government's spending (\$8.4 billion) on grants and contracts for Indian services and Indian Affairs.

Taxes paid by Indian nations to the US government, state governments and county governments significantly favor the United States and disadvantage Indian governments struggling to fund their governments and provide services to their populations. In this study, initial estimates indicate that Indian nations generally pay more in taxes to the United States and its political subdivisions than they receive in grants and contracts. The combined effects of inflation, federal reductions in funds, and growing tribal populations force Indian governments to use most of the profits from businesses to supplement their governments and services to tribal members. Instead of using most taxes generated by economic activities and government activities by the Indian nation Indian governments are compelled by the US government to increase outflows in the form of taxes to the United States.

There are 3.3 million Indians and Alaskan Natives eligible under US laws on reservations and in urban areas to receive grants and contracts from the US federal government amounting to an estimated \$8.4 billion in 2012. These revenues pass through the US Bureau of Indian Affairs, (Department of the Interior), Indian Health Service (Department of Health and Human Services) as well as the US Department of Justice, Department of Housing and Urban Development, Department of Defense, Department of Education, Department of Agriculture, Department of Energy, Department of Transportation and Environmental Protection Agency among others. We estimate that tribal governments, tribal members, businesses, and other economic

transactions generate more than \$8.1 billion in tax payments benefiting US federal government. This estimate indicates that American Indian nations and Alaskan Natives pay in taxes nearly the same amount received in grants and contracts (\$8.4 billion) from the US government. On a per capita basis Indians receive an estimated \$2,534 per year in services

Center for World Indigenous Studies Research

and support from the United States while they pay in business, withholding, payroll of taxes—an estimated average of \$2,463 per person.¹

Indian governments, their property and members of each tribe or nation have been exempted from paying taxes to the US government on benefits from trust resources or trust activities. Since the US government enacted the Indian Citizenship Act of 1924,² however, the US Internal Revenue Service has increasingly sought to impose taxes on tribal member earnings, businesses, and other commercial activities; increasing tribal tax expenditures over the decades. The US Internal Revenue Services has increasingly imposed more taxes in Indian Country while Indian governments rely on their business earnings (casinos, retail sales, wholesale businesses, etc) to support their governments and provide services to their populations.

During the 25 years from 1984 to 2011, according to the updated National Indian Gaming Commission Report (7/6/11), of the 566 Indian tribes, rancherias, and communities recognized by the US government, 240—or just under half of all Indian tribes operate casinos, and some of those operate more than one casino resulting in a total of 460 “gaming operations” operated totally. Tribal operation of casinos and other “gaming operations” increased significantly after a 1987 US Supreme Court Decision (*California v Cabzon Band of Mission Indians*) affirmed the authority of Indian governments to control and operate casinos without “state” intervention. State governments were subsequently given (questionably under US laws) authority to negotiate compacts with Indian governments regarding casino operations. The US Congress responded to the court’s holding by enacting legislation that among other things required the payment of taxes (personal income taxes, excise taxes and federal occupational taxes) to the United States. The \$26 billion casino industry (with an average of 40% of such earnings flowing to Indian governments while the remainder goes to the “original investors”) generates significant tax revenues (estimated \$1.9 billion) paid to the United States. Other “non-trust” businesses and forms of employment and economic activity by individual Indians contribute and estimated \$6.2 billion more in revenues for a total of \$8.1 billion.

¹ These per capita figures are based on extrapolated 2002 Federal Budget figures adjusted to 2012 dollars. Figures generated by the US Commission on Human Rights in its 2003 Report extrapolated to 2012 dollars suggest per capita support to American Indians and Alaskan Natives from federal expenditures is \$3,540 as compared federal expenditures for the US population generally adjusted for 2012 dollars at \$5,310 per capita. See: U.S. Commission on Civil Rights, Federal Funding and Unmet Needs in Indian Country. (Washington: Government Printing Office, July 2003).

² Extending citizenship to American Indians was not a response to a universal petition or appeal by American Indians, but rather it was a effort by the US government to absorb Indians into the general population. The Congressional Act reads in part: all non citizen Indians born within the territorial limits of the United States be, and they are hereby, declared to be citizens of the United States: Provided That the granting of such citizenship shall not in any manner impair or otherwise affect the right of any Indian to tribal or other property. (Approved June 2, 1924) . The tax categories tracked in this study are primarily federal withholding, payroll taxes, and business taxes. Other tax categories are estimated to add \$1.9 billion to the Indian tax bill.

Center for World Indigenous Studies Research

Federal Funding to Indian Nations and Communities and Indian Country's Tax Payments to the United States A Preliminary Assessment

The US government's Internal Revenue Service (IRS) claimed authority to impose taxes on individual Indians and Indian programs under a rule created to regulate state programs and recipients of social welfare programs, the General Welfare Exclusion. Efforts by this agency to apply this rule originally designed to apply to the fifty states and then to Indian nations resulted in more than 150 audits of tribal programs across the country and significant damage to the lives of individual Indians receiving social welfare support from tribal governments. The Internal Revenue Service altered its aggressive implementation of the GWE rule in Indian Country in December 2012 by publishing a propose revision of its plan to apply the General Welfare Exclusion to Indian Government Programs that provide benefits to tribal members.³

When US Internal Revenue Service applied the so-called *General Welfare Doctrine* to Indian governments and individuals it led to a series of tangled and rather important unresolved questions:

1. Are Indian governments—like states, counties, port authorities, and cities— subordinate entities within the federal system?
2. Can US government tax laws legitimately be applied to Indian Nations and individuals living as members of an “Indian tribe,” as federal legislation language reads, thereby exercising the inherent powers of government, including the power to tax?
3. Does the imposition of taxes on Indian government programs, businesses inside tribal jurisdiction, and financial transactions within tribal jurisdiction conflict with the power of tribal governments to tax and do such taxes contribute to the impoverishment of tribal communities, reducing the ability of tribal governments to generate revenues sufficient to operate government programs and deliver services?

³ IRS Notice 2012-75. *Application of the General Welfare Exclusion to Indian Tribal Government Programs that Provide benefits to Tribal members.* (“This revenue procedure describes general principles for the general welfare exclusion and provides safe harbors under which the Internal Revenue Service will presume that the individual need requirement of the general welfare exclusion is met for benefits provided under Indian tribal governmental programs described in sections 5.02 and 5.03 of this revenue procedure, and will not assert that benefits provided under programs described in section 5.03 of this revenue procedure represent compensation for services.”)

Center for World Indigenous Studies Research

4. Does the US government's extension of its taxing authority into the Indian government sphere of inherent powers violate the Trust Relationship⁴, the spirit of self-governance compacts and principles of international law (i.e., ILO Convention 169, UN Declaration on the Rights of Indigenous Peoples, UN Conventions on Human Rights, etc.)?
5. Do US taxes exacted on economic activities within the jurisdiction of Indian nations and Alaskan Natives undermine the growth and functioning of tribal economies?

Preliminary Study Findings

This preliminary study cannot answer these questions with precision, but there is evidence that when Indian nations and Alaskan Natives govern themselves—exercise the powers of government—what growth has occurred in Indian economic activity has been mainly due to Indian nations acting in their own self-interest and not due to infusions of US federal funds in the form of grants and contracts. Indeed, funds expended for the benefit of American Indians and for Indian Affairs by the Federal government peaked in the mid-1970s and has fallen in real current dollar values since. Spending levels, in fact, have been tracked demonstrating that spending in Indian America was dramatically and disproportionately below levels of funding provided to other groups in the United States and the general U.S. population. This observation was reaffirmed by a study of researchers at the Harvard Kennedy School of Government (Cornell & Kalt, 2010; USCCR, 2003).

Rebuilding the nations' political economy

Indeed, while Indian governments have made strides toward building economic foundations for their populations, it remains clear that across Indian Country poverty levels among American Indians and Alaskan Natives remain high (39% among Indians and Alaskan Natives on Reservations and 29% among all Indians and Alaskan Natives⁵ (Cornell & Kalt, 2010).

⁴ Though the Trust Responsibility is frequently cited by the US government and American Indian authorities as well as the solemn promise of the United States government to “preserve, protect and guarantee the rights and property of Indian people.” It is not thus characterized Caldwell Professor of Constitutional Law at the University of Georgia who writes in “Constitution, Court, Indian Tribes” how the “trust doctrine is not Marshall’s [US Chief Justice John Marshall writing in the 1830 Supreme Court decision] notion of wardship but the later ethnocentrism that also produced the notions of superiority and unrestrained plenary power.” Ball notes further “Indian trust terminology entered the Court’s vocabulary in 1942, the same year in which Cohen’s *Handbook* appeared. The Court spoke of ‘the distinctive obligation of trust incumbent upon the Government in its dealings with these dependent and sometimes exploited people’ [Seminole Nation v. United States, 316 U.S. 286, 296 (1942)]. Ball finally observes, (Ball, 1987) The Bureau of Indian Affairs accepts this definition as its official authority: “...is a legal obligation under which the United States “has charged itself with moral obligations of the highest responsibility and trust” toward Indian tribes” citing *Seminole Nation v. United States*, and continues “This obligation was first discussed by Chief Justice John Marshall in *Cherokee Nation v. Georgia* (1831).” (SEE: <http://www.bia.gov/FAQs/index.htm>)

⁵ These figures are somewhat antiquated since they rely on US 2000 Census figures issued in May 2003 and Harvard Project study results in January 2005. Since the figures were released the economy essentially crashed and one can

Center for World Indigenous Studies Research

Federal Spending

In 2003 the U.S. Commission on Civil Rights published “A Quiet Crisis” documenting levels of federal funding of American Indian communities and the Commission conclusion that despite the funds issued as grants and contracts, Indian Country continued to experience significant poverty and a vast store of unmet needs—many for which some Indian governments have begun to assume responsibility by paying themselves from receipts earned from business and/or natural resource sales. The combination of rapidly growing populations (estimated rates as high as 2.67% per year⁶, reductions in overall levels of funding, and the declining purchasing power of federal funds received as grants and contracts the US government funding is increasingly supplemented by tribal businesses expending profits by supporting tribal governmental functions and the delivery of services. The Bureau of Indian Affairs and Indian Health Service provide the bulk of grants and contracts to Indian Country as a part of the total “federal/Indian budget.” The US Department of the Interior *Bureau of Indian Affairs* budget for 2012 was \$2.5 billion and the Department of Health and Human Services *Indian Health Service* budget for 2012 was \$4.6 billion.

While it is clear that federal spending for Indians and Indian Affairs since 1998 has increased at a modest rate each year, the actual spending value of these revenues has declined in real dollars each year. Testifying before the House Subcommittee on Indian and Alaskan Native Affairs US Assistant Secretary Larry Echohawk offered testimony outlining justifications for the 2012 budget and explained that of the \$2.5 billion slated for spending out of the Department of Interior for Indians and Indian Affairs 40% of those funds were granted or contracted to Indian and Alaskan Native governing bodies.

It is noteworthy that overall federal spending was—after nine years—was only 4.09% above the 2003 level growing at a rate of .37% per year. Meanwhile, the largest budget slated for 2012 expenditures was for the Indian Health Service. The 2012 level was \$4.6 billion—some 12.5% higher than the 2003 level, representing a growth rate of 1.14% per year. US government spending for Indian services and Indian Affairs grew barely as fast as the population growth of 2.67%. When adjusted for inflation, the spending grew slower than the rate of Indian and Alaskan Native population growth. While the Departments of Interior and Health and Human Services spent the bulk of funds for Indian services and Indian Affairs (also Alaskan Natives), four other departments spent significant

therefore conclude that poverty levels among American Indians and Alaskan Native will have risen even higher since poverty generally has become the main reality in the United States.

⁶ Calculated by the US Census Bureau (2011). The Census surveys of American Indians and Alaskan Natives published by the US Census Bureau for 2011 document 5.1 million people self-identifying as American Indian or Alaskan Native of which about half identify themselves as American Indian or Alaskan Native only. The Bureau of Indian Affairs states that its official policies recognize 1,978,099 as of 2007 (<http://www.bia.gov/FAQs/index.htm>)

Center for World Indigenous Studies Research

funds as well (Departments of Energy, Agriculture, Justice, Education and Housing and Urban Development. When combined US departments spent an estimated \$8.363 billion⁷ for the benefit of an estimated 3.3 million Indians and Alaskan Natives living on and near reservations.⁸ The per capita value of programs and services delivered in 2012 was an estimated \$2,534.

Tribal Revenues, Grants, Contracts, Business

No precise figures describing tribal economies, as discrete political economies exist.⁹ What data has been developed and published centers primarily on business development and job training and creation. This focus results in virtually no published or documented data for individual nations and tribes to monitor and measure the dynamic relationships between culture, and social, economic and political development—the crucial elements of a growing and healthy society. We have, despite the dearth of information, been able to calculate estimates based on US Census data (2011), public information about business development across Indian Country, the presence of casino enterprises on 240 reservations and the identification of 466 gaming operations¹⁰ and sample annual reports from tribal corporations. Furthermore, based on a study conducted by the Center for World Indigenous Studies in 2003 we have defined a range of economic categories that may commonly be associated with economic activity on reservations. Of the 240 nations with casinos each nation generates estimated revenues on the average of \$90 million¹¹ --though all of these revenues do not derive from casino activity. Raw materials extraction ranging from fisheries, to minerals, to leasing land, and retail sales combine to generate significant revenues.

We estimate that income generated by individual American Indian and Alaskan Native earners (from wages, salaries, and the sale of services) and tribally, and individually owned businesses for 2011 was \$116.1 billion or an amount equal less than 1% of the total gross domestic product of the

⁷ This figure is an estimate produced by the Good Government Research Group at the Center based on 2012 budget figures for the Department of the Interior, Department of Health and Human Services and the Departments of Energy, Agriculture, Justice, Education, Commerce, House and Urban Development, Defense, Ecology and Homeland Security.

⁸ While Bureau of Indian Affairs figures indicate that 1.9 million Indians and Alaskan Natives live on and near reservations another 1.4 million live near their reservation or in a location accessible to their reservation recipients of federal spending in small or substantial amounts.

⁹ We use this term in preference over the terms “economics” or “economic development” owing to its broader relationship to social, economic, political and cultural behaviors and decisions made in a society. The study of political economy refers to interdisciplinary studies drawing on economics, law, and political science and how political institutions, the political environment and the economic system influence each other. In the case of Indian nations, Alaskan native and Hawaiian native communities the interdisciplinary approach necessarily incorporates cultural studies, natural resource as natural wealth, sociology, economics, tribal and customary law, and political environment and political institutions and their influence on each other.

¹⁰ Drawing on cursory information generated by the National Indian Gaming Association.

¹¹ This average attempts to weigh much smaller tribal government spending of some governments as compared to others with significant spending exceeding hundreds of millions. The larger spenders are in the very small minority of gaming nations.

Center for World Indigenous Studies Research

United States.¹² This gross figure bears significantly on what can then be estimated as tax payments by American Indian and Alaskan Native individuals, businesses and Indian governments.

American Indians and Alaskan Natives are Taxed

Indian governments possess and do exercise the power of taxation on members of their communities and these taxes are generally collected to redistribute for specific benefits in each community. The burden is usually quite small, but the sovereign power of taxation whether in the form of direct revenue transfers or other forms of material or labor transfer (sometimes referred to, as “volunteer activity” is indeed present in Indian Country.

Indian governments through their programs (payroll taxes, income taxes, excise taxes, etc), individual tribal businesses, individual tribal members, and various community activities also pay taxes to the United States government, as well as the state, county and often municipal governments. These taxes fall into a range of categories but the most common forms of paid taxes include:

- Federal (sometimes also state) income withholding taxes
- Alternative Minimum tax
- Taxable Business Income (often modified by deductions including costs of goods sold, depreciation, entertainment, portions of health insurance, etc.
- Other Payroll taxes (imposed on employers and employees) including Social Security, Medicare, and unemployment tax.
- Sales Taxes (usually imposed by state government)
- Use taxes (usually imposed as a self-reported seller tax)
- Excise taxes (imposed by Federal and state governments on liquor, tobacco, tires, gasoline, diesel fuel, coal, firearms, telephone service, air transportation, unregistered bonds and other goods and services.
- Property tax (imposed on the state level on interests in real property (land, buildings and permanent improvements – sometimes affecting tribal members with trust land but building on trust land.
- Customs duties—tariffs on imported goods. (These duties are classified by the US. International Trade Commission and rates range in 2011 from zero to 20%
- Estate Taxes
- Licenses and Occupational Taxes—taxes for the privilege of conducting a particular business such as accountants, attorneys, barbers, casinos, dentists, doctors, auto mechanics, plumbers and stock brokers. In addition to the tax other requirements may be imposed by a state.
- Automobile Licenses
- User fees—imposed by governments for the use of certain facilities or services such as federal and state parks, highway tolls, parking on public streets and use of public transit.

Agencies of the US government administering federal tax laws include the US Internal Revenue Service, Alcohol and Tobacco Tax and Trade Bureau, Customs and Border Protection, and local administrators throughout the US. States collect through their Revenue Departments primarily and Counties collect through the County Auditor.

¹² This figure is based on the US Census Bureau 2011 survey reporting the average personal income to be \$35,192 for 2011 (we reduced that figure weighting in favor of a population size of 3.3 million instead of the Census Bureau figure of 5.1 million. This figure takes into consideration \$34,4 billion in business receipts for 2011.

Center for World Indigenous Studies Research

IRS and the General Welfare Exclusion Rule (GWE)

The US Internal Revenue Service has begun to exclude certain funds received by individuals from being taxed as earnings under the General Welfare Exclusion rule, after more than two years of concerted tensions and direct disruption of tribal governments and the lives of individual tribal members. During the development of concerns by the Indian governments, individual tribal members and intertribal organizations, the IRS continued its efforts to impose taxes on what have been described as cultural practices as well as education scholarships and support for families from tribal social programs. In December 2012 the IRS issued Guidance 12-75 on the General Welfare Exclusion and indicated that it would apply its rule usually applied to state programs with a difference on Indian governments. This will result in a pullback by the IRS on imposing taxes on certain but not all earnings in Indian Country.

The dispute over the GWE did raise broader and equally important questions about the extent of US taxation (and state and county taxation) inside Indian Country currently affecting the earnings and revenues of tribal governments, tribal business, individual Indian businesses, individual Indian income, and community tribal activities. Bearing in mind our earlier estimates on income in these categories noted above this study has set about estimating the macro tax burden on Indian Country and the average individual tax burden. Given the estimate of \$116.1 billion in overall earned revenues in Indian Country we estimate that Indian Country at minimum pays to the US government alone \$8.1 billion¹³ across payroll and business tax categories.¹⁴ The estimated tax expenditures from a population of 3.3 million individuals averages to \$2,463 per person.

Federal Grants and Contracts nearly equal the Taxes Paid

Various sympathetic observers express concern and dismay at the decline of federal budgets for Indian services and Indian Affairs suggesting that reductions and the declining purchasing power of spent funds leave Indian Country with “unmet needs” (Cornell & Kalt, 2010; USCCR, 2003). What these and other supporters of Indian Country’s financial wellbeing have not considered is the extent that the United States government along with the various states, counties and municipalities take back in the form of taxes the value of grants and contracts awarded in Indian Country. Federal spending in Indian Country for 2012 was an estimated \$8.4 billion (noted above) averaging a net

¹³ This figure is derived from applying 7% to the gross revenue weighed downward from a more conventional 12% level. The lower percent takes into account the portions of the population paying very much lower taxes or no taxes.

¹⁴ We have not estimated all state, county, municipal, port of authority, and the remaining federal taxes which may account for as much as 1.5% more in taxes or an additional \$1.5 billion for a potential total \$9.9 billion. This level of estimated tax payments would result in a per person tax burden of \$2,992.32 per year. We have not considered (though consider should be given) the level of taxes paid for state and county governments and the level of funds spent by those jurisdictions for Indian services.

Center for World Indigenous Studies Research

value on the average of \$2,534 per person in the population we have used as a median figure. If the total of the federal funds had been sent directly to Indian Country individual the per capita spending would have been at that level. Meanwhile, the American Indian tax burden is estimated at \$8.1 Billion¹⁵ or an average of \$2,463 per person. Using the per-person average as a mentally manageable number for comparison we note that at the rate of taxes paid compared to the federal funds spent the United States receives back into its treasury all but 3% of the grants and contracts spent for Indian services and Indian Affairs or the equivalent of \$70 per person spent by the federal government. (See Table below)

Table 1: Federal Funds Spent 2012 vs Indian Taxes Paid

| Source | Total Revenues (Billions) | Fed Spent/Taxes (Billions) | Per Capita Value (thousands) |
|--|---------------------------|----------------------------|------------------------------|
| Federal Funds Spent | \$8.4 | \$8.4 | 2,534.32 |
| Tribal Earnings | \$116.1 | \$8.1 | 2,463.44 |
| Total Net per-capita federal funds spent | | | \$70.88 |

The net result of Federal spending after Indian taxes paid equals \$70.88 per capita per year 2012. That is the net infusion of federal funds into Indian Country based on these estimates.

Conclusion

While these are all estimates, they do reveal a significant fact: American Indian and Alaskan native populations pay 97% in the form of taxes \$8.1 billion of the US government’s spending (\$8.4 billion) on grants and contracts for Indian services and Indian Affairs. The result is that as a practical matter instead of the per-capita expenditures by the US government (\$2,500 - \$3,300) for Indian services and Indian Affairs being lower than the amount spent per capita for the remainder of the population (in excess of \$5,000), the actual figure may well be \$70 per person. The level of poverty in Indian Country will not be affected in a positive way with this level of commitment. Indeed, this level of commitment will ensure a significant increase in poverty throughout Indian Country.

Indian governments substitute earnings from businesses and other economic activities for the lack of tax revenues collected and use the bulk of those economic earnings to pay for tribal government and the delivery of public services to tribal members. Where the US government’s grant and contract

¹⁵ According to Assistant Secretary Echohawk testifying before a Congressional Committee justifying the 2012 budget: The Bureau of Indian Affairs is responsible for directly sending 40% of its revenue to Indian governments (about \$100 million)

Center for World Indigenous Studies Research

supports are insufficient to the needs of these nations, Indian governments struggle to make up the shortages with their own earned revenue. Despite these efforts, revenues remain insufficient to support the rapidly growing tribal populations and the complicated needs that arise from such growth. The transfer of revenues to the US government, states, counties and cities in the form of tax revenues further exacerbates Indian nations' efforts to support their governments and the capacity to serve the social, economic and cultural needs of their populations.

Recommendations

1. Establish internal economic research with research questions and scope centered to document each nation's political economy as a discrete economic unit taking into consideration both the "informal economy" and the tribal and private economic activity of all residents as well as outside businesses extracting raw materials from all lands within reservation boundaries. Measure imports and exports to the tribal jurisdiction.
2. Define and establish a tax code preempting externally applied taxes with the purpose of redirecting taxes currently paid to the US and other jurisdictions into the tribal government through tribal law. Preemptive legislation should also be considered to reserve exclusive Indian government authority over all economic transactions now exempted under the US Internal Revenue Service Guidance 12-75 issued in December 2012 and specifically bar any external jurisdiction from imposing any present or future taxes on such transactions.
3. Seek to negotiate a Tax Compact with the United States government that formalizes an intergovernmental arrangement whereby taxes now paid to outside jurisdictions injurious to tribal sovereignty are blocked and blocked external taxes are paid directly to the tribal government or set aside by the tribal government. Exceptions may include Social Security and Medicare taxes unless tribal governments wish to establish their own system for retirement support and long-term health.

REFERENCES

- Ball, M. S. (1987). Constitution, Court, Indian Tribes. *American Bar Foundation Research Journal, Winter(1)*, 3-139.
- Cornell, S., & Kalt, J. P. (2010). American Indian Self-Determination: The Political Economy of a Policy that Works. Unpublished Working paper. Harvard Kennedy School.
- USCCR (2003). *A Quiet Crisis, Federal Funding and Unmet Needs in Indian Country*. Washington, D.C.: U.S. Commission on Civil Rights.