

# STATE OF ARIZONA

Department of Revenue



*Douglas A. Ducey*  
Governor

*David Briant*  
Director

August 31, 2016

Kristine FireThunder  
Policy Advisor on Tribal Affairs, Office of the Arizona Governor  
Director, Arizona Commission on Indian Affairs  
1700 W. Washington St.  
Phoenix, AZ 85007

RE: Tribal Consultation Annual Report

Dear Director FireThunder:

Pursuant to Executive Order 2006-14, Consultation and Cooperation with Arizona Tribes, the Arizona Department of Revenue ("Department") respectfully submits the Department's Annual Tribal Consultation Report for the period covering July 1, 2015 through June 30, 2016.

I am pleased to provide you with the Department's efforts to enhance communications with Indian tribes and nations during FY2016.

Sincerely,

Grant Nülle  
Deputy Director



Douglas A. Ducey  
Governor

David Briant  
Director

## FY16 ANNUAL AGENCY REPORT ON TRIBAL OUTREACH

### Agency Overview

The Arizona Department of Revenue ("Department") is the State agency charged with the collection and distribution of the tax revenues that fund many critical public services for the citizens of Arizona. The Mission Statement of the Department is "Serving Taxpayers!" This radically simple, yet clear, statement of purpose guides our direction, agency actions and decision making. Our Vision Statement, "Funding Arizona's future through excellence in innovation, customer service and continuous improvement," identifies the marker for the kind of agency we strive to be and what we hope to achieve.

### Tribal Liaison

The Department recreated a Tribal Liaison position in 2014 in accordance with Executive Order 2006-14. The Tribal Liaison is responsible for facilitating state-tribal consultation with the 22 Indian nations located in Arizona and is tasked with developing, maintaining, and improving communication between the Department and the tribes of Arizona. Christie Comanita has served as the Tribal Liaison since 2014.

### Tribal Government Consultation Policy

The Department is charged with the collection and distribution of income tax, withholding tax, transaction privilege tax, use tax, luxury tax and various other excise taxes. The Department is also responsible for valuing certain properties for property tax purposes, and exercises general supervision over county assessors in administering the property tax laws to ensure all property is uniformly valued for property tax purposes. Some of the subjects of taxation administered by the Department may be located within Indian lands, though not owned by a tribe, tribal enterprise or an enrolled member of the tribe. Some tribes may also have their own system of taxing persons or enterprises located within their jurisdiction.

Taxation issues often cross political boundaries, thus encouraging cooperation in tax administration and enforcement. Coordination efforts on administration could provide a model and a practical basis for overall state-tribal cooperation. It is primarily through specific, program-level interactions that mutual trust and understanding are developed. For example, the Department currently has agreements with two tribes to collect tribal excise taxes, to exchange tax information and to keep information confidential.

The Department recognizes the sovereignty of tribal governments within Indian Country as those concepts are defined by federal law. (Indian Country includes all lands within reservation boundaries. 18 U.S.C. § 1151.)

The Department supports the strengthening of tribal capacity for self-government and determination. The Department's support to tribes will be provided in the interest of state and tribal cooperation and will not be used as the basis for assertion of state authority within Indian Country.

The Department is committed to continuing cooperative and respectful relationships with tribes while encouraging mutual respect for the concerns of both the state and tribes regarding taxation on persons, property and activities within Indian Country.

**Tribal Consultation Activities**

The Department continues to honor tribal sovereignty and collaborate with the 22 tribes of Arizona regarding the administration and enforcement of taxes. The communications are through a variety of mechanisms, including Intergovernmental Agreements (“IGA”) with the tribes. The Department has two IGAs with tribes to collect tribal-imposed tobacco tax.

The Department has engaged in various collaborative activities with the tribes. Several of those activities are described in the following table.

Goal	Objective	Activity and Performance Measure
Establish and cultivate working relationships with the Native American Caucus	Educate legislative members of the Native American Caucus	2016 Legislative session – Presented to the State legislative Native American Caucus regarding the applicability of transaction privilege tax on Tribal lands and the distribution of funds from business activities on Tribal lands.
Establish and cultivate working relationships with key persons in tribal governments.	Introduce the tobacco tax structure.	July 10, 2015 – Hualapai Tribe  Presented at the Hualapai Tribal Council meeting. The presentation included information on the services and programs funded by Arizona Tobacco Tax and the Tobacco Litigation Fund. The Department provided examples of other collaborative efforts with other Arizona Native American tribes and nations. The meeting was attended by Tribal Council members as well as members of the Hualapai business community.

	<p>Establish communication channels and build state/tribal relationships.</p>	<p>July 21, 2015 – Fort McDowell Yavapai Nation</p> <p>Presented information on programs and services funded by tobacco tax revenue and the Tobacco Litigation Settlement Fund to the Tribal Council. The Department provided a general overview of the Master Settlement Agreement and the Arizona Escrow Statute. The Department also discussed the state tax stamp system, explaining the correlation between stamp type and the nature of the transaction. The Department invited the Council to consider a draft IGA which was distributed at the meeting.</p>
	<p>Establish communication channels and build state/tribal relationships.</p>	<p>August 5, 2015 – Ak-Chin Indian Community</p> <p>Presented information on programs and services funded by tobacco tax revenue and the Tobacco Litigation Fund. The Department provided a general overview of state tobacco tax, including the tax stamp system. The Department discussed how full implementation of the stamp system on the Community's lands increases compliance and ensures collection of both state and Community taxes. The Department provided a general overview of the MSA and the enhanced enforcement standard under the NPM Adjustment Settlement Agreement. The Department explained that it was seeking to develop partnerships with all tribes located within the state to promote compliance on and off of reservation land. DOR explained the mutual benefits of the agreement and offered to provide education and support as requested by the Community.</p>
	<p>Build state/tribal relationships.</p>	<p>October 27, 2015 - Presentation at the Inter Tribal Association of Arizona meeting.</p> <p>The Department presented an explanation of how tobacco taxes in Arizona are levied and collected, as well as the importance of enforcement under the Master Settlement Agreement. Additionally, examples of how tribal members benefit from the revenues collected were provided.</p>

	Build state/tribal relationships.	<p>November 30, 2015 – Governor's Tribal Summit</p> <p>At the invitation of the Governor's Office, the Department presented information on the tobacco tax structure in Arizona, the State's obligations under the Master Settlement Agreement and the importance of collecting comprehensive tobacco sales data both on and off of reservation land. The Department proposed a joint partnership between the State and the Tribes to exchange tax information and enforce State and Tribal tobacco tax laws. The presentation lasted approximately two hours. Again, tribal leadership questioned the State's ability to require them to provide financial information regarding sales on reservation land. Tribal leadership saw such a request as infringing on their sovereignty. The Department was questioned about why such detailed information was needed. The Tribal members also voiced their frustration in the State's entering into an agreement that was dependent on their cooperation without involving them in the negotiation process. The Department provided as much information as possible and stressed that representatives would be willing to travel to each reservation to address tribal council members directly.</p>
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**Major Accomplishment(s)**

The Department continues to engage in outreach efforts to each of the 22 Indian nations and communities in Arizona. The Tribal Liaison continues to facilitate meetings and educational presentations with the tribal nations and communities. These interactions serve to enhance mutual understanding, technical cooperation, and foster goodwill to jointly address matters of importance to Arizona and tribal governments.