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Interim Executive Director

September 9, 2011

To Interested Parties:

**Notice of Proposed Regulatory Action
by the
State Board of Equalization**

Proposed to Amend Regulation 1616, *Federal Areas*

NOTICE IS HEREBY GIVEN

The State Board of Equalization (Board), pursuant to the authority vested in it by Revenue and Taxation Code (RTC) section 7051, proposes to adopt amendments to California Code of Regulations, title 18, section (Regulation) 1616, *Federal Areas*. Subdivision (d) of Regulation 1616 prescribes the application of the Sales and Use Tax Law (RTC § 6001 et seq.) to sales of tangible personal property to and the storage, use, or other consumption of tangible personal property by Indians. The proposed amendments add new subdivision (d)(4)(G) to Regulation 1616 to implement, interpret, and make specific the provisions of RTC section 6352 by further prescribing the circumstances under which a sale of tangible personal property to and the storage, use, or other consumption of tangible personal property by the tribal government of an Indian tribe that is officially recognized by the United States is exempt from sales and use tax because the tax is preempted by federal law.

PUBLIC HEARING

The Board will conduct a meeting in Room 121, at 450 N Street, Sacramento, California, on November 15-17, 2011. The Board will provide notice of the meeting to any person who requests that notice in writing and make the notice, including the specific agenda for the meeting, available on the Board's Website at www.boe.ca.gov at least 10 days in advance of the meeting.

A public hearing regarding the proposed regulatory action will be held at 9:30 a.m. or as soon thereafter as the matter may be heard on November 15, 16, or 17, 2011. At the hearing, any interested person may present or submit oral or written statements, arguments, or contentions regarding the adoption of the proposed amendments to Regulation 1616.

AUTHORITY

RTC section 7051.

REFERENCE

RTC section 6352.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Current Regulation 1616

RTC section 6352 exempts the sale and the storage, use, or other consumption of tangible personal property from sales and use tax when California is prohibited from taxing the sale or use of tangible personal property under federal law, including the United States Constitution.

In 1831, Chief Justice Marshall recognized that Indian tribes, which are officially recognized by the government of the United States, are independent nations that retain inherent rights to self-government. (*Cherokee Nation v. Georgia* (1831) 30 U.S. 1, 16.) Justice Marshall also recognized that article 1, section 8, clause 3 of the United States Constitution reserves to the United States Government the exclusive authority to regulate commerce with the Indian tribes. (*Id.* at p. 18.)

Subsequent United States Supreme Court opinions further explained that federally-recognized Indian tribes “retain ‘attributes of sovereignty over both their members and their territory’” (*White Mountain Apache Tribe v. Bracker* (1980) 448 U.S. 136, 142 [quoting from *United States v. Mazurie* (1975) 419 U.S. 544, 557]), “as a separate people, with the power of regulating their internal and social relations, and thus far [are] not brought under the laws” of the United States or the states in which the tribes reside. (*Bracker*, 448 U.S. at p. 142 [quoting from *McClanahan v. Arizona State Tax Commission* (1973) 411 U.S. 164, 173, which was quoting from *United States v. Kagama* (1886) 118 U.S. 375].)

In 1978, subdivision (d) was added to Regulation 1616 to prescribe the circumstances under which the sale and use of tangible personal property on an Indian reservation¹ are exempt from sales and use tax under RTC section 6352 because the tax is preempted by federal law. Subdivision (d) is based upon United States Supreme Court cases regarding the federal preemption of the states’ authority to tax federally-recognized Indian tribes and their members, which have held that the application of state sales and use tax is preempted with regard to the

¹ In this context, the term “reservation” refers to all land that is considered “Indian country” as defined by 18 U.S.C. § 1151, which provides that “the term ‘Indian country’ . . . means (a) all land within the limits of any Indian reservation under the jurisdiction of the United States Government, notwithstanding the issuance of any patent, and, including rights-of-way running through the reservation, (b) all dependent Indian communities within the borders of the United States whether within the original or subsequently acquired territory thereof, and whether within or without the limits of a state, and (c) all Indian allotments, the Indian titles to which have not been extinguished, including rights-of-way running through the same.” (See, e.g., Sales and Use Tax Annotation 305.0024.250 (8/26/1996).)

sale and use of property on Indian reservations if the legal incidence of the tax falls on a tribe or tribal members. Regulation 1616, subdivision (d), is still consistent with United States Supreme Court opinions preempting California sales and use tax when the tax unlawfully infringes upon federally-recognized Indian tribes' sovereignty over their reservations. (See, e.g., *Wagnon v. Prairie Band of Potawatomi Nation* (2005) 546 U.S. 95, 101-102.)

Pursuant to the current provisions of Regulation 1616, subdivision (d)(4)(A) and (E), sales tax will not apply to the sale of tangible personal property to an Indian if the property is delivered to the Indian and ownership of the property transfers to the Indian on a reservation, and use tax will not apply to tangible personal property delivered to an Indian on a reservation unless the property is used off a reservation more than it is used on a reservation during the first 12 months following delivery. The federal preemption recognized by the current provisions of Regulation 1616, subdivision (d), allows the government of a federally-recognized Indian tribe to purchase tangible personal property for use in tribal self-governance without being subject to California sales and use tax if the property is delivered to the tribal government on its tribe's reservation and the property is used on the reservation more than it is used off reservation during the first 12 months following delivery. The current provisions of Regulation 1616, subdivision (d), do not address situations where California sales and use tax is preempted by federal law because the tax unlawfully infringes on federally-recognized Indian tribes' sovereignty over their members.

Proposed Amendments to Regulation 1616

United States Supreme Court opinions published after the initial adoption of Regulation 1616, subdivision (d), have established additional "principles with respect to the boundaries between state regulatory authority and tribal self-government" in the context of state taxation. (*Bracker, supra*, 448 U.S. at p. 141.) The United States Supreme Court has held that:

- Federal law preempts a state's authority to tax an activity undertaken on a "reservation or by tribal members" (*Id.* at p. 143) in circumstances where the tax unlawfully infringes on the right of federally-recognized Indian tribes "to make their own laws and be ruled by them" (*Id.* at p. 142 [quoting from *Williams v. Lee* (1959) 358 U.S. 217, 220]);
- State taxation of Indians is not generally preempted outside Indian reservations, however, state taxation of Indians outside of Indian reservations may nonetheless be preempted under appropriate circumstances (see, e.g., *Oklahoma Tax Commission v. Sac and Fox Nation* (1993) 508 U.S. 114, 126, in which Justice O'Connor contemplated whether state taxation may be preempted outside of a tribe's territorial jurisdiction, but the court refrained from resolving the issue because it was not directly before the court; see also *Wagnon, supra*, 546 U.S. at p. 113 [quoting from *Mescalero Apache Tribe v. Jones* (1972) 411 U.S. 145, 148-149] indicating that there are some exceptions to the "general" rule that states are permitted to tax Indians when they reside outside of Indian reservations); and
- "[T]here is no rigid rule by which to resolve the question whether a particular state law may be applied to an Indian Reservation or to tribal members" (*Bracker, supra*, 448 U.S.

at p. 142), and state taxation is preempted when “a particularized inquiry into the nature of the state, federal, and tribal interests at stake” indicate that, in a “specific context, the exercise of state authority would violate federal law” (*Id.* at p. 145) because it unlawfully infringes on the right of federally-recognized Indian tribes “to make their own laws and be ruled by them.” (*Id.* at p. 142.)

Therefore, the Board reviewed the particular facts and circumstances applicable to the imposition of California’s sales and use tax on the sale of tangible personal property to and the storage, use, or other consumption of tangible personal property by the tribal governments of Indian tribes that are officially recognized by the United States, but cannot satisfy the current provisions of the exemptions prescribed by Regulation 1616, subdivision (d)(4)(A) and (E), because their tribes do not have reservations on which to take delivery of and use their property or their tribes have undeveloped reservations where it would be impractical to take delivery of and use their property.

First, the Board found that there was a major shift in the United States’ policies towards Indians that was implemented, at least in part, by the enactment of the Indian Reorganization Act (IRA) of 1934 (Pub.L. No. 73-383 (June 18, 1934) 48 Stat. 984), which represented formal federal recognition of a unique relationship between Indian tribes’ sovereignty and land, and the federal government’s duty to help restore Indian tribes’ economic and governmental self-sufficiency, as sovereigns, through the acquisition of land. Specifically, section 5 of the IRA, which was subsequently codified (with minor amendments) as section 465 of title 25 of the United States Code, currently provides that:

The Secretary of the Interior is hereby authorized, in his discretion, to acquire through purchase, relinquishment, gift, exchange, or assignment, any interest in lands, water rights, or surface rights to lands, within or without existing reservations, including trust or otherwise restricted allotments whether the allottee be living or deceased, for the purpose of providing land for Indians.

[¶] . . . [¶]

Title to any lands or rights acquired pursuant to this Act or the Act of July 28, 1955 (69 Stat. 392), as amended (25 U.S.C. 608 et seq.) shall be taken in the name of the United States in trust for the Indian tribe or individual Indian for which the land is acquired, and such lands or rights shall be exempt from State and local taxation.

Thus, the Department of the Interior “has had discretionary authority to take title to land, in the name of the United States, in trust for the benefit of Indian tribes” since 1934. (44 S.D. L. Rev. 681, 685.) And, when that discretion is exercised, the Secretary of the Interior accepts a fiduciary duty over the trust land and “the land is freed from federal and state taxes.” (*Id.* at p. 682.) In other words, a clear connection exists between tribal self-governance, the acquisition of trust land, and the preemption of state taxation.

Second, the Board found that the Department of the Interior's discretion to acquire land for the benefit of Indian tribes creates a tension between Indian tribes and nontribal governments: "Indian tribes need and are entitled to have lands taken into trust. Non-tribal governments are interested in keeping such lands on their tax rolls." (44 S.D. L. Rev. 681, 682.) Moreover, inherent in this federal discretion is the principle that one of the functions of a landless Indian tribe's government is to petition the Secretary of the Interior to acquire lands in trust for the tribe so that the tribe will have territorial boundaries in which to exercise its sovereignty. As a result, the Board determined that California's taxation of sales to and purchases by federally-recognized Indian tribes of tangible personal property for use by their tribal governments in applying to the Secretary of the Interior for the acquisition of trust lands would unlawfully infringe upon their tribal sovereignty in certain contexts. A determination that is supported by the maxim that "the power to tax involves the power to destroy . . . [and] that there is a plain repugnance, in conferring on one government a power to control the constitutional measures of another." (*McCulloch v. State of Maryland* (1819) 17 U.S. 316, 431.)

Third, the Board found that all three branches of the federal government have recognized Indian tribes' interests in tribal sovereignty and the attributes of such sovereignty. The United States Supreme Court has long recognized that Indian tribes retain "attributes of sovereignty over both their members and their territory." (*Bracker, supra*, 448 U.S. at p. 142.) Moreover, Congress, in 1995, declared that "(1) there is a government-to-government relationship between the United States and each Indian tribe; (2) the United States has a trust responsibility to each tribal government that includes the protection of the sovereignty of each tribal government; (3) Congress, through statutes, treaties, and the exercise of administrative authorities, has recognized the self-determination, self-reliance, and inherent sovereignty of Indian tribes; and (4) Indian tribes possess the inherent authority to establish their own form of government." (25 U.S.C. § 3601.) Additionally, the United States Department of Justice conducts its Indian affairs under a June 1, 1995, policy memorandum, in which the Attorney General recognizes similar attributes of tribal sovereignty.

Fourth, the Board reviewed the present status of California's Indian tribes and found that the Bureau of Indian Affairs (BIA) provides the following information with respect to their unique status:

While the history of the Federal-Indian relationship in California shares some common characteristics with that of Native people elsewhere in the United States, it is different in many aspects. It includes the unprecedented magnitude of non-native migration into California after the discovery of gold in 1848, nine days before the signing of the Treaty of Guadalupe Hidalgo; the Senate's refusal to ratify the 18 treaties negotiated with California tribes during 1851-52; and the lawless nature of California's settlement after the Treaty of Guadalupe Hidalgo, including State sanctioned efforts to "exterminate" the indigenous population.

Under pressure from the California Congressional delegation, the United States Senate not only refused to sign the 18 treaties that had been negotiated, but they also took extraordinary steps to place the treaties under seal. Between the un-

ratified treaties and the Land Claims Act of 1851, most California Indians became homeless.

Major shifts in federal Indian policy at the national level during the late 19th century exacerbated the Indian problems in California. Passage of the General Allotment Act in 1887 opened part of the limited lands in California to non-Indian settlement. In 1905 the public was finally advised of the 18 un-ratified treaties. Citizens sympathetic to the economic and physical distress of California Indians encouraged Congress to pass legislation to acquire isolated parcels of land for homeless California Indians. Between 1906 and 1910 a series of appropriations were passed that provided funds to purchase small tracts of land in central and northern California for landless Indians of those areas. The land acquisitions resulted in what has been referred to as the Rancheria System in California.

In 1934, with the passage of the Indian Reorganization Act (IRA), the reconstituting of tribal governments included the BIA's supervision of elections among California tribes, including most of the Rancheria groups. Although many tribes accepted the provisions of the IRA, few California tribes benefited economically from the IRA because of the continuing inequities in funding of Federal Indian programs.

Beginning in 1944, forces within the BIA began to propose partial liquidation of the Rancheria system. Even the limited efforts to address the needs of California Indians at the turn of the century and again through passage of the IRA were halted by the federal government when it adopted the policy of termination. California became a primary target of this policy when Congress slated forty-one (41), California Rancherias for termination pursuant to the Rancheria Act of 1958.

During the past quarter century, judicial decisions and settlements have restored 27 of the 38 Rancherias that were terminated under the original Rancheria Act. Additional tribes have since then been restored as a result of Acts of Congress.

This brief history only begins to explain why the Pacific Regional Office is unique. California tribes today continue to develop their tribal infrastructure as a result of not having the same opportunities that have been provided to other native groups throughout the Country. California has a large number of aboriginal native populations who are not currently recognized by the United States which presents [its] own list of problems.

These unique BIA-recognized circumstances left a number of federally-recognized Indian tribes that are still located in California with no reservations on which to conduct their governmental activities, or undeveloped reservations, which lack adequate meeting facilities, essential utility services, or mail service, making it impractical for the tribes to conduct their governmental activities on their reservations. And, it is due to these unique BIA-recognized circumstances that

both landless tribes and the tribes with undeveloped reservations are currently unable to exercise their rights to self-governance without interference from California's sales and use tax.

Therefore, during its July 26, 2011, Business Taxes Committee meeting, the Board determined that the nature of the state, federal, and tribal interests at stake dictate that federal law preempts the imposition of California's sales and use tax on the sale of tangible personal property to and the use of tangible personal property by the tribal governments of federally-recognized California Indian tribes, when such property is purchased for use in tribal self-governance, and the tribal governments have no reservation on which to conduct their governmental activities or the tribal governments have undeveloped reservations where it is impractical to conduct their governmental activities, due to the unique BIA-recognized circumstances discussed above. This is because the taxation of these types of transactions involving off-reservation sales and use, and only these types of off-reservation transactions, would directly interfere with the tribes' sovereignty and therefore unlawfully infringe on the rights of federally-recognized Indian tribes to make their own laws and be ruled by them. The Board has not found any persuasive authority that could establish a general exemption for off-reservation sales of tangible personal property to Indians or purchases of tangible personal property by Indians for use off reservation.

The Board determined that it is necessary to amend Regulation 1616 to add a new subdivision (d)(4)(G) for the specific purpose of implementing, interpreting, and making specific the provisions of RTC section 6352 by recognizing the additional, limited federal preemption described above. The Board determined that it is necessary for the proposed amendments to Regulation 1616 recognizing such federal preemption to only exempt the sale and use of tangible personal property that is delivered to an officially-recognized Indian tribe at the principal place where the tribe's government meets to conduct tribal business so that there is some way for retailers and the Board to verify exempt transactions. The Board understands that tribes may not own any real estate where their tribal governments can meet to conduct tribal business and they may occasionally meet at more than one place during a given period, and the Board has proposed to adopt a "principal place" test because the Board determined that such a test is sufficiently flexible to take into account the varying circumstances under which some tribal governments meet and therefore does not unlawfully infringe on the tribes' rights to self-governance. The Board also determined that it is necessary for the proposed amendments to Regulation 1616 recognizing such federal preemption to only exempt the use of tangible personal property if the property is used in tribal self-governance more than it is used for purposes other than tribal self-governance within the first 12 months following delivery. This is because the Board is not preempted from imposing a use tax on property that is used off reservation more than it is used on a reservation within the first 12 months following delivery and that is also used for purposes other than tribal self-governance more than it is used for tribal self-governance within the first 12 months following delivery.

As a result, the Board proposes to amend Regulation 1616, to add a new subdivision (d)(4)(G), to implement, interpret, and make specific the provisions of RTC section 6352 by recognizing the additional, limited federal preemption described above. The objective of the proposed amendments is to clarify the additional circumstances under which sales of tangible personal property to and the use of tangible personal property by the governments of federally-recognized

Indian tribes are exempt from California sales and use tax because the tax is preempted by federal law.

There are no comparable federal regulations or statutes to Regulation 1616.

NO MANDATE ON LOCAL AGENCIES AND SCHOOL DISTRICTS

The Board has determined that the adoption of the proposed amendments to Regulation 1616 will not impose a mandate on local agencies or school districts, including a mandate that is required to be reimbursed under part 7 (commencing with section 17500) of division 4 of title 2 of the Government Code.

NO COST OR SAVINGS TO STATE AGENCIES, LOCAL AGENCIES, AND SCHOOL DISTRICTS

The Board has determined that the adoption of the proposed amendments to Regulation 1616 will result in no direct or indirect cost or savings to any state agency, any cost to local agencies or school districts that is required to be reimbursed under part 7 (commencing with section 17500) of division 4 of title 2 of the Government Code, other non-discretionary cost or savings imposed on local agencies, or cost or savings in federal funding to the State of California.

NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS

The adoption of the proposed amendments to Regulation 1616 will recognize the holdings of United States Supreme Court opinions regarding the federal preemption of state taxation when it unlawfully infringes on the rights of federally-recognized Indian tribes to make their own laws and be ruled by them and further clarify the types of transactions that are already exempt from sales and use tax under RTC section 6352. Therefore, the Board has made an initial determination that the adoption of the proposed amendments to Regulation 1616 will not have a significant, statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

The adoption of the proposed amendments to Regulation 1616 may affect small business.

NO COST IMPACTS TO PRIVATE PERSONS OR BUSINESSES

The Board is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

RESULTS OF THE ASSESSMENT REQUIRED BY GOVERNMENT CODE SECTION 11346.3, SUBDIVISION (b)

The Board has determined that the adoption of the proposed amendments to Regulation 1616 will neither create nor eliminate jobs in the State of California nor result in the elimination of existing businesses nor create or expand business in the State of California.

NO SIGNIFICANT EFFECT ON HOUSING COSTS

Adoption of the proposed amendments to Regulation 1616 will not have a significant effect on housing costs.

DETERMINATION REGARDING ALTERNATIVES

The Board must determine that no reasonable alternative considered by it or that has been otherwise identified and brought to its attention would be more effective in carrying out the purpose for which this action is proposed, or be as effective as and less burdensome to affected private persons than the proposed action.

CONTACT PERSONS

Questions regarding the substance of the proposed amendments should be directed to Bradley M. Heller, Tax Counsel IV, by telephone at (916) 323-3091, by e-mail at Bradley.Heller@boe.ca.gov, or by mail at State Board of Equalization, Attn: Bradley M. Heller, MIC:82, 450 N Street, P.O. Box 942879, Sacramento, CA 94279-0082.

Written comments for the Board's consideration, notice of intent to present testimony or witnesses at the public hearing, and inquiries concerning the proposed administrative action should be directed to Mr. Rick Bennion, Regulations Coordinator, by telephone at (916) 445-2130, by fax at (916) 324-3984, by e-mail at Richard.Bennion@boe.ca.gov, or by mail at State Board of Equalization, Attn: Rick Bennion, MIC:80, 450 N Street, P.O. Box 942879, Sacramento, CA 94279-0080.

WRITTEN COMMENT PERIOD

The written comment period ends at 9:30 a.m. on November 15, 2011, or as soon thereafter as the Board begins the public hearing regarding the proposed amendments to Regulations 1616 during the November 15-17, 2011, Board meeting. Written comments received by Mr. Rick Bennion at the postal address, email address, or fax number provided above, prior to the close of the written comment period, will be presented to the Board and the Board will consider the statements, arguments, and/or contentions contained in those written comments before the Board decides whether to adopt the proposed amendments to Regulation 1616. The Board will only consider written comments received by that time.

AVAILABILITY OF INITIAL STATEMENT OF REASONS AND TEXT OF PROPOSED AMENDMENTS

The Board has prepared an underscored version of the text of Regulation 1616 illustrating the express terms of the proposed amendments and an initial statement of reasons for the adoption of the proposed amendments. These documents and all the information on which the proposed amendments are based are available to the public upon request. The rulemaking file is available for public inspection at 450 N Street, Sacramento, California. The express terms of the proposed amendments to Regulation 1616 and the Initial Statement of Reasons are also available on the Board's Website at www.boe.ca.gov.

SUBSTANTIALLY RELATED CHANGES PURSUANT TO GOVERNMENT CODE SECTION 11346.8

The Board may adopt the proposed amendments to Regulation 1616 with changes that are nonsubstantial or solely grammatical in nature, or sufficiently related to the original proposed text that the public was adequately placed on notice that the changes could result from the originally proposed regulatory action. If a sufficiently related change is made to the proposed amendments, the Board will make the full text of the resulting regulation, with the change clearly indicated, available to the public for at least 15 days before adoption. The text of the resulting regulation will be mailed to those interested parties who commented on the original proposed amendments orally or in writing or who asked to be informed of such changes. The text of the resulting regulation will also be available to the public from Mr. Bennion. The Board will consider written comments on the resulting regulation that are received prior to adoption.

AVAILABILITY OF FINAL STATEMENT OF REASONS

If the Board adopts the proposed amendments to Regulation 1616, the Board will prepare a Final Statement of Reasons, which will be made available for inspection at 450 N Street, Sacramento, California, and available on the Board's Website at www.boe.ca.gov.

Sincerely,



Diane G. Olson, Chief
Board Proceedings Division

Initial Statement of Reasons

Adoption of Proposed Amendments to

California Code of Regulations, Title 18, Section 1616,

Federal Areas

SPECIFIC PURPOSE AND NECESSITY

Current Regulation 1616

Revenue and Taxation Code (RTC) section 6352 exempts the sale and the storage, use, or other consumption of tangible personal property from sales and use tax when California is prohibited from taxing the sale or use of tangible personal property under federal law, including the United States Constitution.

In 1831, Chief Justice Marshall recognized that Indian tribes, which are officially recognized by the government of the United States, are independent nations that retain inherent rights to self-government. (*Cherokee Nation v. Georgia* (1831) 30 U.S. 1, 16.) Justice Marshall also recognized that article 1, section 8, clause 3 of the United States Constitution reserves to the United States Government the exclusive authority to regulate commerce with the Indian tribes. (*Id.* at p. 18.)

Subsequent United States Supreme Court opinions further explained that federally-recognized Indian tribes “retain ‘attributes of sovereignty over both their members and their territory’” (*White Mountain Apache Tribe v. Bracker* (1980) 448 U.S. 136, 142 [quoting from *United States v. Mazurie* (1975) 419 U.S. 544, 557]), “as a separate people, with the power of regulating their internal and social relations, and thus far [are] not brought under the laws” of the United States or the states in which the tribes reside. (*Bracker*, 448 U.S. at p. 142 [quoting from *McClanahan v. Arizona State Tax Commission* (1973) 411 U.S. 164, 173, which was quoting from *United States v. Kagama* (1886) 118 U.S. 375].)

In 1978, the State Board of Equalization (Board) added subdivision (d) to California Code of Regulations, title 18, section (Regulation) 1616, *Federal Areas*, to prescribe the circumstances under which the sale and use of tangible personal property on an Indian reservation¹ are exempt from sales and use tax under RTC section 6352 because the tax is

¹ In this context, the term “reservation” refers to all land that is considered “Indian country” as defined by 18 U.S.C. § 1151, which provides that “the term ‘Indian country’ . . . means (a) all land within the limits of any Indian reservation under the jurisdiction of the United States Government, notwithstanding the issuance of any patent, and, including rights-of-way running through the reservation, (b) all dependent Indian communities within the borders of the United States whether within the original or subsequently acquired territory thereof, and whether within or without the limits of a state, and (c) all Indian allotments, the Indian titles to which have not been extinguished, including rights-of-way running through the same.” (See, e.g., Sales and Use Tax Annotation 305.0024.250 (8/26/1996).)

preempted by federal law. Subdivision (d) is based upon United States Supreme Court cases regarding the federal preemption of the states' authority to tax federally-recognized Indian tribes and their members, which have held that the application of state sales and use tax is preempted with regard to the sale and use of property on Indian reservations if the legal incidence of the tax falls on a tribe or tribal members. Regulation 1616, subdivision (d), is still consistent with United States Supreme Court opinions preempting California sales and use tax when the tax unlawfully infringes upon federally-recognized Indian tribes' sovereignty over their reservations. (See, e.g., *Wagnon v. Prairie Band of Potawatomi Nation* (2005) 546 U.S. 95, 101-102.)

Pursuant to the current provisions of Regulation 1616, subdivision (d)(4)(A) and (E), sales tax will not apply to the sale of tangible personal property to an Indian if the property is delivered to the Indian and ownership of the property transfers to the Indian on a reservation, and use tax will not apply to tangible personal property delivered to an Indian on a reservation unless the property is used off a reservation more than it is used on a reservation during the first 12 months following delivery. The federal preemption recognized by the current provisions of Regulation 1616, subdivision (d), allows the government of a federally-recognized Indian tribe to purchase tangible personal property for use in tribal self-governance without being subject to California sales and use tax if the property is delivered to the tribal government on its tribe's reservation and the property is used on the reservation more than it is used off reservation during the first 12 months following delivery. The current provisions of Regulation 1616, subdivision (d), do not address situations where California sales and use tax is preempted by federal law because the tax unlawfully infringes on federally-recognized Indian tribes' sovereignty over their members.

Proposed Amendments to Regulation 1616

United States Supreme Court opinions published after the initial adoption of Regulation 1616, subdivision (d), have established additional "principles with respect to the boundaries between state regulatory authority and tribal self-government" in the context of state taxation. (*Bracker, supra*, 448 U.S. at p. 141.) The United States Supreme Court has held that:

- Federal law preempts a state's authority to tax an activity undertaken on a "reservation or by tribal members" (*Id.* at p. 143) in circumstances where the tax unlawfully infringes on the right of federally-recognized Indian tribes "to make their own laws and be ruled by them" (*Id.* at p. 142 [quoting from *Williams v. Lee* (1959) 358 U.S. 217, 220]);
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p. 113 [quoting from *Mescalero Apache Tribe v. Jones* (1972) 411 U.S. 145, 148-149] indicating that there are some exceptions to the “general” rule that states are permitted to tax Indians when they reside outside of Indian reservations); and

- “[T]here is no rigid rule by which to resolve the question whether a particular state law may be applied to an Indian Reservation or to tribal members” (*Bracker, supra*, 448 U.S. at p. 142), and state taxation is preempted when “a particularized inquiry into the nature of the state, federal, and tribal interests at stake” indicate that, in a “specific context, the exercise of state authority would violate federal law” (*Id.* at p. 145) because it unlawfully infringes on the right of federally-recognized Indian tribes “to make their own laws and be ruled by them.” (*Id.* at p. 142.)

Therefore, the Board reviewed the particular facts and circumstances applicable to the imposition of California’s sales and use tax on the sale of tangible personal property to and the storage, use, or other consumption of tangible personal property by the tribal governments of Indian tribes that are officially recognized by the United States, but cannot satisfy the current provisions of the exemptions prescribed by Regulation 1616, subdivision (d)(4)(A) and (E), because their tribes do not have reservations on which to take delivery of and use their property or their tribes have undeveloped reservations where it would be impractical to take delivery of and use their property.

First, the Board found that there was a major shift in the United States’ policies towards Indians that was implemented, at least in part, by the enactment of the Indian Reorganization Act (IRA) of 1934 (Pub.L. No. 73-383 (June 18, 1934) 48 Stat. 984), which represented formal federal recognition of a unique relationship between Indian tribes’ sovereignty and land, and the federal government’s duty to help restore Indian tribes’ economic and governmental self-sufficiency, as sovereigns, through the acquisition of land. Specifically, section 5 of the IRA, which was subsequently codified (with minor amendments) as section 465 of title 25 of the United States Code, currently provides that:

The Secretary of the Interior is hereby authorized, in his discretion, to acquire through purchase, relinquishment, gift, exchange, or assignment, any interest in lands, water rights, or surface rights to lands, within or without existing reservations, including trust or otherwise restricted allotments whether the allottee be living or deceased, for the purpose of providing land for Indians.

[¶] . . . [¶]

Title to any lands or rights acquired pursuant to this Act or the Act of July 28, 1955 (69 Stat. 392), as amended (25 U.S.C. 608 et seq.) shall be taken in the name of the United States in trust for the Indian tribe or individual Indian for which the land is acquired, and such lands or rights shall be exempt from State and local taxation.

Thus, the Department of the Interior “has had discretionary authority to take title to land, in the name of the United States, in trust for the benefit of Indian tribes” since 1934. (44 S.D. L. Rev. 681, 685.) And, when that discretion is exercised, the Secretary of the Interior accepts a fiduciary duty over the trust land and “the land is freed from federal and state taxes.” (*Id.* at p. 682.) In other words, a clear connection exists between tribal self-governance, the acquisition of trust land, and the preemption of state taxation.

Second, the Board found that the Department of the Interior’s discretion to acquire land for the benefit of Indian tribes creates a tension between Indian tribes and nontribal governments: “Indian tribes need and are entitled to have lands taken into trust. Non-tribal governments are interested in keeping such lands on their tax rolls.” (44 S.D. L. Rev. 681, 682.) Moreover, inherent in this federal discretion is the principle that one of the functions of a landless Indian tribe’s government is to petition the Secretary of the Interior to acquire lands in trust for the tribe so that the tribe will have territorial boundaries in which to exercise its sovereignty. As a result, the Board determined that California’s taxation of sales to and purchases by federally-recognized Indian tribes of tangible personal property for use by their tribal governments in applying to the Secretary of the Interior for the acquisition of trust lands would unlawfully infringe upon their tribal sovereignty in certain contexts. A determination that is supported by the maxim that “the power to tax involves the power to destroy . . . [and] that there is a plain repugnance, in conferring on one government a power to control the constitutional measures of another.” (*McCulloch v. State of Maryland* (1819) 17 U.S. 316, 431.)

Third, the Board found that all three branches of the federal government have recognized Indian tribes’ interests in tribal sovereignty and the attributes of such sovereignty. The United States Supreme Court has long recognized that Indian tribes retain “attributes of sovereignty over both their members and their territory.” (*Bracker, supra*, 448 U.S. at p. 142.) Moreover, Congress, in 1995, declared that “(1) there is a government-to-government relationship between the United States and each Indian tribe; (2) the United States has a trust responsibility to each tribal government that includes the protection of the sovereignty of each tribal government; (3) Congress, through statutes, treaties, and the exercise of administrative authorities, has recognized the self-determination, self-reliance, and inherent sovereignty of Indian tribes; and (4) Indian tribes possess the inherent authority to establish their own form of government.” (25 U.S.C. § 3601.) Additionally, the United States Department of Justice conducts its Indian affairs under a June 1, 1995, policy memorandum, in which the Attorney General recognizes similar attributes of tribal sovereignty.

Fourth, the Board reviewed the present status of California’s Indian tribes and found that the Bureau of Indian Affairs (BIA) provides the following information with respect to their unique status:

While the history of the Federal-Indian relationship in California shares some common characteristics with that of Native people elsewhere in the United States, it is different in many aspects. It includes the unprecedented magnitude of non-native migration into California after the discovery of gold in 1848, nine days before the signing of the Treaty of

Guadalupe Hidalgo; the Senate's refusal to ratify the 18 treaties negotiated with California tribes during 1851-52; and the lawless nature of California's settlement after the Treaty of Guadalupe Hidalgo, including State sanctioned efforts to "exterminate" the indigenous population.

Under pressure from the California Congressional delegation, the United States Senate not only refused to sign the 18 treaties that had been negotiated, but they also took extraordinary steps to place the treaties under seal. Between the un-ratified treaties and the Land Claims Act of 1851, most California Indians became homeless.

Major shifts in federal Indian policy at the national level during the late 19th century exacerbated the Indian problems in California. Passage of the General Allotment Act in 1887 opened part of the limited lands in California to non-Indian settlement. In 1905 the public was finally advised of the 18 un-ratified treaties. Citizens sympathetic to the economic and physical distress of California Indians encouraged Congress to pass legislation to acquire isolated parcels of land for homeless California Indians. Between 1906 and 1910 a series of appropriations were passed that provided funds to purchase small tracts of land in central and northern California for landless Indians of those areas. The land acquisitions resulted in what has been referred to as the Rancheria System in California.

In 1934, with the passage of the Indian Reorganization Act (IRA), the reconstituting of tribal governments included the BIA's supervision of elections among California tribes, including most of the Rancheria groups. Although many tribes accepted the provisions of the IRA, few California tribes benefited economically from the IRA because of the continuing inequities in funding of Federal Indian programs.

Beginning in 1944, forces within the BIA began to propose partial liquidation of the Rancheria system. Even the limited efforts to address the needs of California Indians at the turn of the century and again through passage of the IRA were halted by the federal government when it adopted the policy of termination. California became a primary target of this policy when Congress slated forty-one (41), California Rancherias for termination pursuant to the Rancheria Act of 1958.

During the past quarter century, judicial decisions and settlements have restored 27 of the 38 Rancherias that were terminated under the original Rancheria Act. Additional tribes have since then been restored as a result of Acts of Congress.

This brief history only begins to explain why the Pacific Regional Office is unique. California tribes today continue to develop their tribal infrastructure as a result of not having the same opportunities that have

been provided to other native groups throughout the Country. California has a large number of aboriginal native populations who are not currently recognized by the United States which presents [its] own list of problems.

These unique BIA-recognized circumstances left a number of federally-recognized Indian tribes that are still located in California with no reservations on which to conduct their governmental activities, or undeveloped reservations, which lack adequate meeting facilities, essential utility services, or mail service, making it impractical for the tribes to conduct their governmental activities on their reservations. And, it is due to these unique BIA-recognized circumstances that both landless tribes and the tribes with undeveloped reservations are currently unable to exercise their rights to self-governance without interference from California's sales and use tax.

Therefore, during its July 26, 2011, Business Taxes Committee meeting, the Board determined that the nature of the state, federal, and tribal interests at stake dictate that federal law preempts the imposition of California's sales and use tax on the sale of tangible personal property to and the use of tangible personal property by the tribal governments of federally-recognized California Indian tribes, when such property is purchased for use in tribal self-governance, and the tribal governments have no reservation on which to conduct their governmental activities or the tribal governments have undeveloped reservations where it is impractical to conduct their governmental activities, due to the unique BIA-recognized circumstances discussed above. This is because the taxation of these types of transactions involving off-reservation sales and use, and only these types of off-reservation transactions, would directly interfere with the tribes' sovereignty and therefore unlawfully infringe on the rights of federally-recognized Indian tribes to make their own laws and be ruled by them. The Board has not found any persuasive authority that could establish a general exemption for off-reservation sales of tangible personal property to Indians or purchases of tangible personal property by Indians for use off reservation.

The Board determined that it is necessary to amend Regulation 1616 to add a new subdivision (d)(4)(G) for the specific purpose of implementing, interpreting, and making specific the provisions of RTC section 6352 by recognizing the additional, limited federal preemption described above and clarifying the additional circumstances under which sales of tangible personal property to and the use of tangible personal property by the governments of federally-recognized Indian tribes are exempt from California sales and use tax because the tax is preempted by federal law.

The Board determined that it is necessary for the proposed amendments to Regulation 1616 recognizing such federal preemption to only exempt the sale and use of tangible personal property that is delivered to an officially-recognized Indian tribe at the principal place where the tribe's government meets to conduct tribal business so that there is some way for retailers and the Board to verify exempt transactions. The Board understands that tribes may not own any real estate where their tribal governments can meet to conduct tribal business and they may occasionally meet at more than one place during a given period, and the Board has proposed to adopt a "principal place" test because the Board determined that such a test is sufficiently flexible to take into account the varying

circumstances under which some tribal governments meet and therefore does not unlawfully infringe on the tribes' rights to self-governance.

The Board determined that it is necessary for the proposed amendments to Regulation 1616 recognizing such federal preemption to only exempt the use of tangible personal property if the property is used in tribal self-governance more than it is used for purposes other than tribal self-governance within the first 12 months following delivery. This is because the Board also determined that that the nature of the state, federal, and tribal interests at stake indicate that California is not preempted from imposing a use tax on property that is used off reservation more than it is used on a reservation within the first 12 months following delivery and that is also used for purposes other than tribal self-governance more than it is used for tribal self-governance within the first 12 months following delivery.

As a result, the Board proposes to amend Regulation 1616, to add a new subdivision (d)(4)(G) for the specific purpose of implementing, interpreting, and making specific the provisions of RTC section 6352 by recognizing the additional, limited federal preemption described above and clarifying the additional circumstances under which sales of tangible personal property to and the use of tangible personal property by the governments of federally-recognized Indian tribes are exempt from California sales and use tax because the tax is preempted by federal law.

There are no comparable federal regulations or statutes to Regulation 1616.

DOCUMENTS RELIED UPON

Board staff prepared Formal Issue Paper 11-005 regarding the proposed amendments to Regulation 1616 and submitted it to the Board for consideration at the Board's July 26, 2011, Business Taxes Committee meeting. The Board relied upon Formal Issue Paper 11-005, the exhibits to the formal issue paper, and comments made during the July 26, 2011, discussion of the formal issue paper in deciding to propose the amendments to Regulation 1616, subdivision (d), described above.

ALTERNATIVES CONSIDERED

The Board considered whether to begin the formal rulemaking process to adopt the proposed amendments to Regulation 1616 at this time or, alternatively, whether to take no action at this time. However, the Board decided to begin the formal rulemaking process to adopt the proposed amendments to Regulation 1616 at this time because the amendments are necessary to implement, interpret, and make specific the provisions of RTC section 6352 by recognizing the additional, limited federal preemption described above and clarifying the additional circumstances under which sales of tangible personal property to and the use of tangible personal property by the governments of federally-recognized Indian tribes are exempt from California sales and use tax because the tax is preempted by federal law.

No reasonable alternative to the proposed amendments to Regulation 1616 has been brought to the Board's attention that would be effective in carrying out the purpose for which the amendments are proposed and that would lessen any adverse impact on small business, if any, from the proposed regulatory action and the Board has not rejected any such alternative.

NO ADVERSE ECONOMIC IMPACT ON BUSINESS

The adoption of the proposed amendments to Regulation 1616 will recognize the holdings of United States Supreme Court opinions regarding the preemption of state taxation when it unlawfully infringes on the rights of federally-recognized Indian tribes to make their own laws and be ruled by them and further clarify the types of transactions that are already exempt from sales and use tax under RTC section 6352. Therefore, the Board has made an initial determination that the adoption of the proposed amendments to Regulation 1616 will not have a significant adverse economic impact on business, including small business.

The proposed regulation may affect small business.

**Text of Proposed Amendments to
California Code of Regulations, Title 18, Section 1616,**

Section 1616. Federal Areas.

(a) In General. Tax applies to the sale or use of tangible personal property upon federal areas to the same extent that it applies with respect to sale or use elsewhere within this state.

(b) Alcoholic Beverages. Manufacturers, wholesalers and rectifiers who deliver or cause to be delivered alcoholic beverages to persons on federal reservations shall pay the state retailer sales tax on the selling price of such alcoholic beverages so delivered, except when such deliveries are made to persons or organizations which are instrumentalities of the Federal Government or persons or organizations which purchase for resale.

Sales to officers' and non-commissioned officers' clubs and messes may be made without sales tax when the purchasing organizations have been authorized, under appropriate regulations and control instructions, duly prescribed and issued, to sell alcoholic beverages to authorized purchasers.*

(c) Sales Through Vending Machines. Sales through vending machines located on Army, Navy, or Air Force installations are taxable unless the sales are made by operators who lease the machines to exchanges of the Army, Air Force, Navy, or Marine Corps, or other instrumentalities of the United States, including Post Restaurants and Navy Civilian Cafeteria Associations, which acquire title to and sell the merchandise through the machines to authorized purchasers.

For the exemption to apply, the contracts between the operators and the United States instrumentalities and the conduct of the parties must make it clear that the instrumentalities acquire title to the merchandise and sell it through machines leased from the operators to authorized purchasers.

(d) Indian Reservations.

(1) In General. Except as provided in this regulation, tax applies to the sale or use of tangible personal property upon Indian reservations to the same extent that it applies with respect to sale or use elsewhere within this state.

(2) Definitions. For purposes of this regulation "Indian" means any person of Indian descent who is entitled to receive services as an Indian from the United States Department of the Interior.

Indian organizations are entitled to the same exemption as a Indians. "Indian organization" includes Indian tribes and tribal organizations and also includes partnerships all of whose members are Indians. The term includes corporations organized under tribal authority and wholly owned by Indians. The term excludes other corporations, including other corporations wholly owned by Indians.

“Reservation” includes reservations, rancherias, and any land held by the United States in trust for any Indian tribe or individual Indian.

(3) Sales by On-Reservation Retailers.

(A) Sales by Indians.

1. Sales by Indians to Indians who reside on a reservation. Sales tax does not apply to sales of tangible personal property made to Indians by Indian retailers negotiated at places of business located on Indian reservations if the purchaser resides on a reservation and if the property is delivered to the purchaser on a reservation. The purchaser is required to pay use tax only if, within the first 12 months following delivery, the property is used off a reservation more than it is used on a reservation.

2. Sales by Indians to non-Indians and Indians who do not reside on a reservation. Sales tax does not apply to sales of tangible personal property by Indian retailers made to non-Indians and Indians who do not reside on a reservation when the sales are negotiated at places of business located on Indian reservations if the property is delivered to the purchaser on the reservation. Except as exempted below, Indian retailers are required to collect use tax from such purchasers and must register with the Board for that purpose.

Indian retailers selling meals, food or beverages at eating and drinking establishments are not required to collect use tax on the sale of meals, food or beverages that are sold for consumption on an Indian reservation.

(B) Sales by non-Indians.

1. Sales by non-Indians to Indians who reside on a reservation. Sales tax does not apply to sales of tangible personal property made to Indians by retailers when the sales are negotiated at places of business located on Indian reservations if the property is delivered to the purchaser on a reservation. The sale is exempt whether the retailer is a federally licensed Indian trader or is not so licensed. The purchaser is required to pay use tax only if, within the first 12 months following delivery, the property is used off a reservation more than it is used on a reservation.

2. Sales by non-Indians to non-Indians and Indians who do not reside on a reservation. Either sales tax or use tax applies to sales of tangible personal property by non-Indian retailers to non-Indians and Indians who do not reside on a reservation.

(C) Resale Certificates. Persons making sales for resale of tangible personal property to retailers conducting business on an Indian reservation should obtain

resale certificates from their purchasers. If the purchaser does not have a permit and all the purchaser's sales are exempt under paragraph (d)(3)(A) of this regulation, the purchaser should make an appropriate notation to that effect on the certificate in lieu of a seller's permit number (see Regulation 1668, "Resale Certificates").

(4) Sales by Off-Reservation Retailers.

(A) Sales Tax -In General. Sales tax does not apply to sales of tangible personal property made to Indians negotiated at places of business located outside Indian reservations if the property is delivered to the purchaser and ownership to the property transfers to the purchaser on the reservation. Generally ownership to property transfers upon delivery if delivery is made by facilities of the retailer and ownership transfers upon shipment if delivery is made by mail or carrier. Except as otherwise expressly provided herein, the sales tax applies if the property is delivered off the reservation or if the ownership to the property transfers to the purchaser off the reservation.

(B) Sales Tax -Permanent Improvements -In General. Sales tax does not apply to a sale to an Indian of tangible personal property (including a trailer coach) to be permanently attached by the purchaser upon the reservation to realty as an improvement if the property is delivered to the Indian on the reservation. A trailer coach will be regarded as having been permanently attached if it is not registered with the Department of Motor Vehicles. Sellers of property to be permanently attached to realty as an improvement should secure exemption certificates from their purchasers (see Regulation 1667, "Exemption Certificates").

(C) Sales Tax -Permanent Improvements -Construction Contractors.

1. Indian contractors. Sales tax does not apply to sales of materials to Indian contractors if the property is delivered to the contractor on a reservation. Sales tax does not apply to sales of fixtures furnished and installed by Indian contractors on Indian reservations. The term "materials" and "fixtures" as used in this paragraph and the following paragraph are as defined in Regulation 1521 "Construction Contractors."

2. Non-Indian contractors. Sales tax applies to sales of materials to non-Indian contractors notwithstanding the delivery of the materials on the reservation and the permanent attachment of the materials to realty. Sales tax does not apply to sales of fixtures furnished and installed by non-Indian contractors on Indian reservations.

(D) Use Tax -In General. Except as provided in paragraphs (d)(4)(E) and (d)(4)(F) of this regulation, use tax applies to the use in this state by an Indian purchaser of tangible personal property purchased from an off-reservation retailer for use in this state.

(E) Use Tax -Exemption. Use tax does not apply to the use of tangible personal property (including vehicles, vessels, and aircraft) purchased by an Indian from an off-reservation retailer and delivered to the purchaser on a reservation unless, within the first 12 months following delivery, the property is used off a reservation more than it is used on a reservation.

(F) Leases. Neither sales nor use tax applies to leases otherwise taxable as continuing sales or continuing purchases as respects any period of time the leased property is situated on an Indian reservation when the lease is to an Indian who resides upon the reservation. In the absence of evidence to the contrary, it shall be assumed that the use of the property by the lessee occurs on the reservation if the lessor delivers the property to the lessee on the reservation. Tax applies to the use of leased vehicles registered with the Department of Motor Vehicles to the extent that the vehicles are used off the reservation.

(G) Property Used in Tribal Self-Governance. Sales and use tax does not apply to sales of tangible personal property to and the storage, use, or other consumption of tangible personal property by the tribal government of an Indian tribe that is officially recognized by the United States if:

1. The tribal government's Indian tribe does not have a reservation or the principal place where the tribal government meets to conduct tribal business cannot be its Indian tribe's reservation because the reservation does not have a building in which the tribal government can meet or the reservation lacks one or more essential utility services, such as water, electricity, gas, sewage, or telephone, or mail service from the United States Postal Service;

2. The property is purchased by the tribal government for use in tribal self-governance, including the governance of tribal members, the conduct of inter-governmental relationships, and the acquisition of trust land; and

3. The property is delivered to the tribal government and ownership of the property transfers to the tribal government at the principal place where the tribal government meets to conduct tribal business.

The purchase of tangible personal property is not exempt from use tax under this paragraph if the property is used for purposes other than tribal self-governance more than it is used for tribal self-governance within the first 12 months following delivery.

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Sections 6017, 6021, Revenue and Taxation Code, Public Law No. 817-76th Congress (Buck Act). Vending machines, sales generally, see Regulation 1574. Items dispensed for 10 ¢ or less, see Regulation 1574. Additional reference: Section 6352, Revenue and Taxation Code.

* The following is a summary of the pertinent regulations which have been issued:

(a) General. Air force regulation 34-57, issued under date of February 9, 1968, army regulation 210-65, issued under date of May 4, 1966, and navy general order No. 15, issued under date of May 5, 1965, authorize the sale and possession of alcoholic beverages at bases and installations subject to certain enumerated restrictions.

(b) Air Force. Air force regulation 34-57, paragraph 5, permits commissioned officers' and non-commissioned officers' open messes, subject to regulations established by commanders of major air commands to sell alcoholic beverages to authorized purchasers at bars and cocktail lounges, and provides that commanders will issue detailed control instructions. Paragraphs 8 and 9 require commanders of major air commands to issue regulations relative to package liquor sales and to procurement of alcoholic beverages, respectively.

(c) Army. Army regulation 210-65, paragraph 9, provides that major commanders are authorized to permit at installations or activities within their respective commands the dispensing of alcoholic beverages by the drink or bottle. Paragraph 11 of AR 210-65 provides that when authorized by major commanders as prescribed in paragraph 9, AR 210-65, officers' and non-commissioned officers' open messes may, subject to regulations prescribed by the commanding officer of the installation or activity concerned, dispense alcoholic beverages by the drink, and operate a package store.

(d) Navy. Navy general order No. 15 provides that commanding officers may permit, subject to detailed alcoholic beverage control instructions, the sale of packaged alcoholic beverages by officers' and noncommissioned officers' clubs and messes and the sale and consumption of alcoholic beverages by the drink in such clubs and messes.

Regulation History

Type of Regulation: Sales and Use Tax

Regulation: 1616

Title: 1616, *Federal Areas*

Preparation: Brad Heller

Legal Contact: Brad Heller

Board proposes to amend Regulation 1616, *Federal Areas*, to clarify the additional circumstances under which sales of tangible personal property to and the use of tangible personal property by the governments of federally-recognized Indian tribes are exempt from California sales and use tax.

History of Proposed Regulation:

November 15-17, 2011	Public Hearing
September 9, 2011	OAL publication date; 45-day public comment period begins; Interested Parties mailing
August 30, 2011	Notice to OAL
July 27, 2011	Business Tax Committee, Board Authorized Publication (Vote 5-0)

Sponsor: NA

Support: NA

Oppose: NA