



For Immediate Release
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FTB Clarifies Issue of Tribal Source Income

SACRAMENTO – The Franchise Tax Board has announced that tribal members who live on their reservation and receive income from reservation sources are not subject to state tax on that income.

“I am pleased that FTB has clarified their policy on the issue of ‘reservation source income,’” said George Runner. “I have long believed FTB’s previous interpretation of ‘reservation source income’ was applied too narrowly.”

Responding to multiple court cases and inquiries FTB has determined that “reservation source income” is tax exempt when income is (1) paid by any employer (the tribe or a third party) and (2) earned for services performed within the geographic borders of the reservation by tribal members who live on their tribe’s reservation.

Previously it was unclear if income paid by a third party should be considered exempt from tax. This situation was confusing for taxpayers, employers and tax preparers.

Some tribal members may now be eligible for a refund for specified periods if they previously reported “reservation source income” as taxable income on their California returns.

More information is available on FTB’s website at www.ftb.ca.gov/individuals/Native_Americans/Reservation_Source_Income.shtml

Elected in November 2010, George Runner represents more than nine million Californians as a member of the State Board of Equalization. For more information, visit www.boe.ca.gov/Runner.

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