

## **305.0000 INDIANS**

**305.0006.500 Chapa De Indian Health Program.** Pursuant to Public Law 93–638 Chapa De Indian Health Program is an executive agency of the United States when carrying out the purpose of a contract with the Indian Health Service in connection with Public Law 93–638. As a result, sales of medical equipment to Chapa De are exempt from tax under section 6381(a). 2/5/96.

**305.0007 Construction Contractors.** A construction contractor other than U.S. government contractor may be considered a retailer rather than a consumer of materials if he meets the provisions of Regulation 1521(b)(2)(A)(2). This section provides, in part, that a contractor is a retailer if the contract explicitly provides for the transfer of title to the materials prior to installation and the contract separately stated the sales price of the materials exclusive of the charge for installation. If the contractor meets these provisions and the contract is for improvements to realty on an Indian reservation, the contractor may purchase the materials for resale and incur no sales tax liability as a result of selling them to an Indian(s) on the reservation, even though the material is attached to the realty by the contractor. 3/31/89.

**305.0008 Construction Contract on Indian Reservation.** Where provisions of a construction contract between a non-Indian contractor and an Indian Housing Authority provide that title to materials transfers prior to the time they are installed by the contractor or subcontractor and the sales price of materials is separately stated, the contractor is the retailer of the materials and may purchase the materials for resale. The contractor's sales of materials to the Indian Housing Authority on the reservation are exempt from tax.

If the contract does not have both the provision for title passage and the separate statement of the sales price of materials, the contractor is the consumer of the materials pursuant to Regulation 1521. 1/4/88. (Am. 2000–1).

**305.0009 Material Sales—No Sovereign Immunity for Non-Indian Contractor.** An Indian tribe enters into a contract with a non-Indian construction contractor to perform a construction contract on the tribe's reservation. In order to avoid the otherwise applicable sales or use tax on the purchase of the materials, the contract purportedly appoints the construction contractor to act as the tribe's agent for purposes of purchasing materials that will be incorporated into the tribe's real property. The construction contractor thereupon arranges for the acquisition of the materials from vendors who deliver the property to the reservation, with title passing to the contractor on the reservation.

The relationship between the tribe and the construction contractor is that of non-agent independent contractor. Therefore, the construction company is not an agent of the tribe. Even if the tribe's appointment of the construction contractor as its agent were effective, the tribe cannot exercise its sovereign immunity from sales and use tax liability through an agent. (See *U.S. v. New Mexico* (1982) 455 U.S. 720, 736.) Accordingly, the vendor's sale of materials to a non-Indian contractor on an Indian reservation is subject to tax. 3/27/02.

**305.0012 F.O.B. Shipment by Mail or Common Carrier to Indian Reservations.** An off-reservation retailer contracts with an Indian purchaser for the purchase of tangible personal property. In the contract of sale (or equivalent document) the retailer and the Indian purchaser agree that title is to pass to the purchaser on the reservation and the goods are shipped to the reservation via mail or common carrier. Neither the contract of sale nor the shipping documents contains a "F. O. B. the reservation" clause nor an equivalent clause expressly stating that delivery is to be on the reservation. Has the retailer fulfilled Regulation 1616(d)(4)(A)'s requirements that title and possession of the property transfer to the Indian purchaser on the reservation?

Unless the contract of sale expressly states that delivery is to be on the reservation, i.e., F.O.B. the reservation, the retailer completes his or her performance and title passes to the purchaser upon delivery of the property to the shipper for the shipper's delivery to the purchaser. (Regulation 1628(b)(3)(D) and Uniform Commercial Code section 2401.) Since title transfers to the purchaser at the time the property is passed to the shipper for the shipper's delivery to the purchaser, the sale occurs off the reservation. Therefore, agreement by the parties that title is to pass on the reservation is insufficient for the sale to occur

on the reservation when the goods are shipped by mail or common carrier unless the agreement also expressly states that delivery is to be on the reservation.

Regulation 1616(d)(4)(A) requires that both title *and* possession of the goods actually pass to the Indian purchaser on the reservation. When the retailer delivers the property to the reservation by other than his or her own facilities, four conditions must be met in order for the transaction to qualify as a sale on the reservation. First, the contract of sale (or equivalent document) must include a statement expressly requiring delivery on the reservation. Second, title cannot be passed prior to the time the merchandise is delivered to the Indian purchaser on the reservation. Third, the goods must in fact be delivered to the Indian purchaser on the reservation. Fourth, the transportation documents, such as any bill of lading, must state that delivery is at destination, e.g., F.O.B. the reservation. In other words, the “F.O.B. the reservation” clause (or an equivalent clause expressly stating that delivery is to be on the reservation) must be included in the bill of sale (or other equivalent document) in order to pass title and possession on the reservation and the clause must also be included in the transportation documents in order to show that transfer of title and possession *in fact* occurred on the reservation. This requirement (concerning the bill of lading) is in addition to any agreement in the contract of sale. Since the contract of sale and the transportation documents in the above example did not contain a “F.O.B. the reservation” clause or its equivalent, the retailer has not fulfilled the requirements of Regulation 1616. Tax applies to the sale of the property because title in fact transferred to the purchaser when the property was delivered to the shipper for transportation to the reservation. 12/17/03; 4/28/05. (2006-1).

**305.0013 Half-Indian Couple.** A married couple is not a “person” under the Revenue and Taxation Code. As a result, where property is sold and delivered to a husband and wife on a reservation, but only one of the purchasing spouses is an Indian, one-half interest in the property is exempt from tax. The half interest in the property attributable to the non-Indian is, however, subject to tax.

This interpretation is applied only to sales to a husband and wife when both spouses are involved in the transaction. For example, if only the Indian spouse appears on the sales document and all other conditions for exemption are met, the sale will be considered fully nontaxable. If only the non-Indian spouse appears on the sales documents, the sale will be considered fully taxable. 4/30/81.

**305.0015 Holders of Indian Trader’s License.** Persons who hold Indian trader’s licenses and make only nontaxable sales on the reservation, do not require a seller’s permit. However, a seller’s permit is required if the trader makes sales to purchasers who live off the reservation or to non-Indians who live on the reservation. The trader is required to collect use tax from the purchasers under these circumstances. (Regulation 1616 (d)(3)(A)(2).) 8/30/89.

**305.0016 Houses on Indian Reservation.** A firm contracts with an Indian Housing Authority to construct 40 homes on an Indian Reservation. The contract provides in part: “Title to all materials to be used in this project which are delivered to and properly stored on the jobsite and the subject of partial payment shall transfer to the owner prior to the time the materials are installed by the contractor or any subcontractor.” The contract also provides for a separate price for materials and charges for installation.

The contractor is the retailer of the materials and the sales to the Housing Authority on the reservation are exempt from tax. 1/16/86.

**305.0019 Independent Contractor vs Agency Relationship.** A Non-Indian Corporation (NIC) has contracted with an unincorporated Indian organization (Tribe) to manage an Indian-owned business enterprise of the Tribe on an Indian Reservation. NIC and the Tribe are planning a major expansion of the business enterprise on reservation land. The expansion facilities will include permanent buildings, improvements to existing structures, and related fixtures and equipment. The expansion facilities will be wholly owned by the Tribe upon purchase and installation, without liens or other encumbrances.

According to the agreement between NIC and the Tribe, NIC has the authority to act as an agent for the Tribe when making purchases of any and all materials and equipment. The agreement further states that

NIC may also hold itself out as an agent of the Tribe in order to exercise its rights, duties, and obligations under the agreement.

Under the agreement, NIC would have to fund any proposed expansion, and reimbursements would be limited to funds payable from operating profits within 90 days of completion. NIC does not intend to enforce its right to reimbursement since NIC expect to recapture its capital investment over time through receipts of its management fee, which is a fixed percentage of operating income. The expansion is expected to result in an increase in operating income translating into an increase in NIC's management fee.

Based upon these facts, as to the proposed work of improvements, the relationship between the Tribe and NIC is not an agency relationship for sales and use tax purposes. Instead, NIC's relationship to the Tribe in that context is that of an "independent contractor." In undertaking to construct the proposed expansion, NIC is not planning on making the necessary purchase on credit of the Tribe, or even with funds provided by the Tribe. Instead, NIC has agreed to perform certain specified services in return for a percentage of the profit from the Tribe business. Thus, NIC is the contractor of the Tribe, not an agent of the Tribe, and in constructing the work of improvement, NIC is merely carrying out its contractual obligations to the Tribe so as to earn the promised consideration. 3/21/96.

**305.0020 Indian Contractor.** A partnership comprised of enrolled Indians enters into a contract to install water and service systems on an Indian reservation. The pipe for the job is purchased out of state and shipped directly to the reservation and installed.

Under these circumstances, the applicable tax, if any, is the use tax. California use tax does not apply where the purchaser is an enrolled Indian and the purchase takes place on an Indian reservation. 7/15/75.

**305.0023 Indian License Tax.** In accordance with Regulation 1616(d)(3)(A)2, on-reservation Indian retailers are required to collect use tax on sales to non-Indians and Indians who do not reside on a reservation. The collection of use tax is not precluded by the existence of an ordinance imposing an Indian license tax. 3/21/91.

**305.0023.400 Indian Organization.** To verify whether an organization is an Indian organization organized under tribal authority as stated in Regulation 1616, an examination of the articles of incorporation is necessary. 8/5/97. (M98-3).

**305.0024 Indian Purchaser Does Not Reside on Reservation.** Sales of property by an off-reservation retailer negotiated off a reservation but with the sale occurring to an Indian on a reservation is exempt from tax if the Indian resides on a reservation, unless the purchaser uses the property off the reservation more than one-half of the first 12 months after the purchase. Therefore, sales of property by an off-reservation retailer negotiated off a reservation, but with the sale to an Indian occurring on a reservation, is subject to use tax if the Indian purchaser does not reside on a reservation. 10/21/96.

**305.0024.250 Indian Reservations—Agua Caliente Reservation.** The Agua Caliente Reservation was established by Executive Order. At the time of the order, portions of the area were in private ownership and thus not part of the reservation. This is contrasted to areas involving treaties in which land in a reservation was later acquired in fee title by both Indian and non-Indian residents due to "allotment" acts authorized by Congress and other means. In this latter case, privately owned lands are considered "Indian Country." Thus, for purposes of Regulation 1616, sales within these areas are sales within the reservation. In the case of the Agua Caliente Reservation, the properties privately owned at the time of the Executive Order within the outer boundaries of the reservation are not "Indian Country." Any sales in such areas are not within the reservation for the purposes of Regulation 1616.

Any retailer claiming that his location is within "Indian Country" must establish that the land in question is either reservation land (i.e., included in the land reserved for the tribe), or held in trust by the U.S. for the benefit of an Indian or a tribe, or part of "Dependent Indian Communities," which consist of lands validly set apart for the use of Indians as such under the superintendence of the United States. 8/26/96.

[305.0024.350](#) **Indian Residing on Reservation Other than Reservation of Purchase.** Sales to Indians who live on reservations other than the reservation of purchase and who are not members of the selling Indian's tribe qualify for the exemption provided in Regulation 1616. All that is required is for the purchasing Indian to reside on a reservation and for the purchased property to be used on reservation property more than 50 percent of the time within the first year that the property is purchased. 8/19/97. (M98-3).

305.0025 **Indian Tribal Sales Tax.** A non-Indian makes retail sales of tangible personal property to non-Indians on an Indian reservation. The Indian reservation imposes a sales tax on these sales. The Indian tribal tax that is added to the sales price is regarded as part of gross receipts and is subject to tax. No credit for the Indian tribal tax is allowable under section 6406 of the Revenue and Taxation Code. 2/4/94. (Am. 2003-3).

(Note: For periods on or after January 1, 2003, Revenue and Taxation Code sections 6011(c)(12) and 6012(c)(12) exclude from the definition of "sales price" and "gross receipts" the amount of tax imposed by an Indian tribe within the State of California measured by a stated percentage of the sales or purchase price of tangible personal property sold at retail. This exclusion only applies to those retailers who are in substantial compliance with the Sales and Use Tax Law.)

[305.0027](#) **Traders.** Tax application with respect to sales on an Indian reservation is as follows:

- (1) Only those persons federally licensed as Indian Traders are regarded as Indian traders, regardless of whether they are in fact selling to Indians.
- (2) An Indian licensed as an Indian trader does not need a seller's permit but a non-Indian licensed as an Indian trader does need a seller's permit.
- (3) The sale by an Indian seller to a non-Indian does not create a use tax exemption for the non-Indian.
- (4) An enrolled member of another tribe is entitled to the exemption to the same extent as the tribe member on whose reservation the sale is made. 12/3/75.

[305.0028](#) **Non-Indian Contractors Building on Reservation Land.** An Indian tribe hired a non-Indian construction contractor to construct improvements to realty on the Indian reservation. Sales tax applies to sales on construction materials to non-Indian contractors notwithstanding the delivery of the materials on the reservation and the permanent attachment of the material to realty. Sales tax does not apply to sales of fixtures furnished and installed by non-Indian contractors on Indian reservations. 3/31/95.

[305.0028.025](#) **Non-Indian Construction Contractor May Qualify as Retailer of Materials to Indians.** When a construction contractor contracts to sell and to install materials, the construction contractor may resell the materials as a retail sale prior to making any use of them (e.g., installing them) only by complying with the provisions of Regulation 1521(b)(2)(A)2.; that is, only if (1) its construction contract separately states the price of materials, exclusive of the charge for installation (e.g., a time and materials contract as described in Regulation 1521(a)(7)); (2) the contract explicitly provides for the transfer of title to the materials prior to the time the materials are installed, and (3) in fact, the contractual provisions are carried out.

Where a non-Indian construction contractor resells materials to an Indian, for construction on a reservation, under a construction contract that complies with Regulation 1521(b)(2)(A)2., the construction contractor must also (1) comply with the requirements of Regulation 1616(d)(4)(A), which include delivery made to an Indian on the reservation, and in fact passing title to the materials to the Indian on the reservation, and (2) must do so prior to the use of the materials in order for the retail sale of the materials to be exempt from tax. In order to fulfill the requirements that title and possession of the materials actually pass to the Indian purchaser on the reservation, the contract, invoices, and bills of lading must stipulate that the materials are to be shipped F.O.B. the reservation (unless the materials are delivered by the contractor/retailer's own facilities). Without this clause on all documents, title would actually pass to the Indian purchaser upon

delivery of the materials to the carrier for shipment despite the contract providing that title passes on the reservation, and the contractor's sale of materials to the Indian would be subject to tax.

In addition to meeting the requirements described above, the contractor selling materials to an Indian should obtain from the Indian an exemption certificate as described in Regulation 1667 to substantiate that the contractor's sale was exempt from sales and use tax. The contractor must also make available a copy of this exemption certificate to any vendor that is also a subcontractor, when that subcontractor vendor accepts a resale certificate from the contractor.

While a construction contractor generally cannot avoid liability for tax on its use of materials furnished and installed by him or her by taking a resale certificate from the prime contractor, a subcontractor who sells materials to the prime contractor pursuant to Regulation 1521(b)(2)(A)2. may accept a resale certificate *only* if (1) the prime contractor will, in turn, sell the materials in compliance with Regulation 1521(b)(2)(A)2.; *and* (2) the prime contractor's sale of materials is an exempt sale to an Indian fulfilling the requirements of Regulation 1616(d)(4)(A), which include delivery made to the Indian purchaser on the reservation and title (ownership) transferring to the Indian purchaser on the reservation. 06/12/02. (2003–2).

**305.0028.200 Off-Reservation Sales to Indians.** Sales and Use Tax Regulation 1616 requires that possession and title (ownership) to tangible personal property must pass to the Indian purchaser on a reservation in order for the sale to be exempt from tax. In general, ownership of the 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. If the contract authorizes or requires the retailer to send the property to the purchaser, but does not require the retailer to deliver it at destination, the retailer completes its performance with reference to the physical delivery of the property at the time and place of shipment. If the contract expressly requires delivery at destination, the retailer completes its performance with reference to the physical delivery of the property on tender to the purchaser at the destination. When delivery of the property is by facilities of the retailer, title passes when the property is delivered to the purchaser at the destination unless there is an explicit written agreement executed prior to the delivery that title is to pass at another time.

When delivery to an Indian purchaser is by contract carrier or common carrier, the following conditions must be met in order for title and possession to pass to the Indian purchaser on the reservation: (1) the contract of sale (or an equivalent document) must expressly contain an F.O.B. reservation clause or equivalent provision; (2) title cannot have been passed to the purchaser prior to delivery on the reservation; and (3) the goods must in fact be delivered to the Indian purchaser on the reservation as specified in the contract of sale. If all of these conditions are met, then the sale is exempt from sales tax. 2/6/06. (2007–1).

**305.0028.600 Purchase of a Vehicle—Use Tax Collection Responsibility.** When an off-reservation vehicle dealer, using its own facilities, delivers a vehicle on a reservation to an Indian purchaser who does not reside on a reservation, the dealer is obligated to collect use tax from the Indian purchaser and remit the tax to the Board of Equalization (Board). The obligation of the vehicle dealer to collect and remit use tax also applies when, using its own facilities, an off-reservation dealer delivers a commercial vehicle (e.g., a semi-trailer truck which cannot reasonably be used on a reservation more than it is used off the reservation during the 12 months after delivery to the purchaser) on a reservation to an Indian purchaser who resides on a reservation. In both of these instances, if the Indian purchaser can subsequently establish that he or she used the vehicle on a reservation one-half or more of the time during the first 12 months following delivery, he or she may apply to the Board for a refund of the use tax.

However, when an off-reservation dealer, using its own facilities, delivers a vehicle to be used for personal purposes to an Indian purchaser who resides on a reservation, the dealer is not obligated to collect and remit use tax. In this situation, if the Indian purchaser uses the vehicle off the reservation more than one half the time during the first 12 months after delivery, it is the responsibility of the Indian purchaser to remit use tax to the Board. 2/16/05. (2006–1).

[305.0028.750](#) **Resident Requirement for Indian Contractor.** Regulation 1616 does not require that an Indian contractor performing work on an Indian reservation be a member of the tribe which resides on the reservation or reside on the reservation upon which the contract is performed. As long as the Indian contractor, regardless of the tribe of affiliation or state of qualification as an Indian contractor, arranges to have materials delivered, pursuant to a construction contract with an Indian reservation located in California, sales tax will not apply. 8/5/97. (M98-3).

**305.0028.900 Sale of Gaming Machines to Indian Organization.** A California taxpayer has a contract with an Indian organization with gaming machines and pedestals. The contract provides that the items purchased are to be delivered “F.O.B. destination to the reservation and that upon delivery and installation of the goods to the Indian organization, title and risk of loss damage or seizure shall pass” to the Indian organization. The contract is silent as to whether delivery is made by facilities of the taxpayer or by common carrier.

Since the contract provides F.O.B. place of destination, the retailer completes its performance with reference to the physical delivery of the property on tender to the purchaser there. Therefore, even though delivery is made by common carrier (such as U.P.S.), the title or ownership of the property is transferred on the reservation. Thus, the requirements for the exemption under Regulation 1616(d)(4) are met and the sale is not subject to sales tax. 6/24/97.

**305.0029 Sales of Housing Units.** Corporation A, a manufacturer of mobilehomes and factory-built housing, sold 38 mobilehomes to Corporation B for a residential project on an Indian reservation in June of 1987. The units were to be used as housing for an Indian Housing Authority (Housing Authority). Corporation B is not a licensed mobilehome dealer. An agreement dated May 26, 1987 between Corporations A and B, the Housing Authority, and a Mortgage Corporation indicated that Corporation B contracted with the Housing Authority to complete several residential developments. The evidence supports a finding that once Corporation B had contracted with the Housing Authority to build the residential units and secured its financing, Corporation B contracted with Corporation A to manufacture the mobilehomes. Corporation A believed that the sale was to the Housing Authority and that Corporation B was merely an agent for the Housing Authority. Thus, the sale was an exempt sale to an Indian organization. In support of this belief, Corporation A submitted a letter dated April 11, 1988, from a development officer for the Housing Authority stating that Corporation B was its agent and also an exemption certificate from the Executive Director of the Housing Authority dated July 1, 1988 stating that the Housing Authority purchased the units from Corporation A through its agent, Corporation B. Alternatively, Corporation A also believed that the units were factory-built housing and that if taxable at all, the units should be taxed at 40% of the sales price to the consumer.

There is no evidence of an agency relationship between Corporation B and the Housing Authority other than the statements made by representatives of the Housing Authority a full year after the sales took place which is not timely and must be considered as self-serving evidence. The language in the agreement of May 26, 1987 clearly indicates that Corporation B had contracts with the Housing Authority to complete a residential neighborhood. It is concluded that B was not an agent of the Housing Authority but merely a developer. There is no evidence that Corporation A’s customer was the Housing Authority. Rather Corporation A’s invoices clearly stated that Corporation B was the customer and that the terms were “fob factory.”

The statutory term “factory-built housing” does not include mobilehomes. There was no evidence that the units had the approval of the Department of Housing and Community Development (Department) or the local building authority. There were no insignias of approval or other evidence that the units were approved by the Department or local building authority.

Additionally, Corporation A had charged tax on 75% of the sales price of other units sold to Corporation B which were for use outside the reservation. While this is not conclusive evidence that the units in question were mobilehomes, it is evidence that Corporation B was buying mobilehomes for its project. The total evidence indicates the units were mobilehomes. 10/19/90.

305.0032 **Sales by Indians to Indians.** A California retailer operating outside a reservation sells property to an Indian retailer operating on the reservation. The Indian retailer resells the property to a reservation Indian who picks up the property at the place of business of the California retailer off the reservation. In this situation, the sale by the Indian retailer is not made on the reservation and the Indian retailer is liable for the sales tax. The California retailer cannot be held liable under section 6007 since the Indian retailer is engaged in business in this state. Section 6007 applies only where the retailer is not engaged in business in this state. 4/5/77.

305.0033 **Sales of Newspapers on Reservation.** Sales of newspapers on a reservation are exempt from sales tax when delivery is to an Indian. Sales on a reservation to a non-Indian are subject to sales tax. 12/20/91.

305.0035 **Sales to Non-Indians on Reservation.** Indian retailers selling tangible personal property on their reservations to non-Indians are required to register with the Board and collect and remit use tax on such sales. 7/8/76. (Am. 2004–2).

(Note: Regulation 1616(d)(3)(A)2. was amended effective March 6, 2003, to exempt Indian retailers selling meals, food and beverages at eating and drinking establishments from the obligation to collect use tax when the meals, food or beverages are sold for consumption on an Indian reservation.)

[305.0060](#) **Traders on Reservations.** As a result of the decision of the United States Supreme Court in *Warren Trading Post v. Arizona Tax Commission*, 380 U.S. 685 (1965), sales tax does not apply to sales by federally licensed Indian traders trading with Indians on reservations. After noting that Congress and the Commissioner of Indian Affairs have prescribed comprehensive statutes and regulations governing Indian traders, the court says:

“We think the assessment and collection of this tax would to a substantial extent frustrate the evident congressional purpose of ensuring that no burden shall be imposed upon Indian traders for trading with Indians on reservations except as authorized by Acts of Congress or by valid regulations promulgated under those Acts. This state tax on gross income would put financial burdens on appellant or the Indians with whom it deals in addition to those Congress or the tribes have prescribed, and could thereby disturb and disarrange the statutory plan Congress set up in order to protect Indians against prices deemed unfair or unreasonable by the Indian Commissioner. And since federal legislation has left the state with no duties or responsibilities respecting the reservation Indians, we cannot believe that Congress intended to leave to the state the privilege of levying this tax. Insofar as they are applied to this federally licensed Indian trader with respect to sales made to reservation Indians on the reservation, these state laws imposing taxes cannot stand.” 1/17/67.

305.0100 **Tribal Tax.** A tribal tax is similar to a business license tax imposed by a municipality. These taxes are considered one of the costs of doing business and may not be deducted from gross receipts. 6/13/96.

[305.0300](#) **Use Tax Collection Responsibility.** When an Indian tribe sells tangible personal property on the reservation to non-Indians or to Indians who do not reside on the reservation, the tribe is required to register with the Board and to collect use tax from the purchasers. This is true even if the tribe manufactures the property on the reservation. 11/15/94. (Am. 2004–2).

(Note: Regulation 1616(d)(3)(A)2. was amended effective March 6, 2003, to exempt Indian retailers selling meals, food and beverages at eating and drinking establishments from the obligation to collect use tax when the meals, food or beverages are sold for consumption on an Indian reservation.)

[305.0360](#) **Use Tax—Exemption.** Regulation 1616 sets forth the conditions under which the use of property, including vehicles, vessels, and aircraft, purchased by an Indian from an off reservation retailer and delivered to the purchaser on the reservation is exempt from use tax. The test for “use” is a “principal use” test covering the first 12 months following delivery. Thus, if a vehicle is used on the reservation more than it is used off the reservation during that first 12-month period, the principal use is considered to be on

the reservation. When not in functional use, the vehicle would be “garaged” (stored or used) on the reservation. 6/2/89.