



Treasury Inspector General for Tax Administration

A STATISTICAL PORTRAYAL OF FEDERALLY RECOGNIZED INDIAN TRIBAL GOVERNMENTS' TAX FILING CHARACTERISTICS FOR TAX YEARS 2000 THROUGH 2004

Issued on March 14, 2007

Highlights

Highlights of Report Number: 2007-10-007 to the Internal Revenue Service Commissioner for the Tax-Exempt and Government Entities Division.

IMPACT ON TAXPAYERS

Tribal economies, stimulated largely by gaming, have experienced dynamic growth and represent one of the fastest growing segments of the United States economy. Analysis of the tax data for Tax Years 2000 through 2004 shows that, as overall income reported by tribal entities increased, tax dollars reported and the associated tax revenues to the Federal Government also increased. Additionally, tribal entities have generally fully paid their reported tax obligations

WHY TIGTA DID THE AUDIT

The Indian Tribal Governments office administers Federal tax laws for the 564 Federally recognized Indian tribes and their approximately 2,100 related entities. Generally, Federally recognized tribes are sovereign governments and are not required to report income or pay Federal income tax. However, tribal entities are responsible for filing employment and excise tax returns and paying any associated tax where applicable. Tribal entities (not tribes) organized as State-chartered corporations are required to report income and pay Federal income tax. Tribal entities organized as partnerships report their income to the IRS but do not pay Federal income tax. Any associated Federal income tax is the responsibility of the partners.

The overall objectives of this audit were to review relevant data for the Indian Tribal Governments office customer base tax filing activities for Tax Years 2000 through 2004 and analyze the data for trends.

WHAT TIGTA FOUND

Some Indian tribes have become more economically self-sufficient by entering into a variety of enterprises. Many tribes with gaming enterprises, such as casinos and bingo halls, have experienced dynamic growth, which has resulted in significant increases for

*Email Address: Bonnie.Heald@tigta.treas.gov
Web Site: <http://www.tigta.gov>*

tribal entities in revenues reported, number of employees hired, compensation paid, and taxes reported. This growth has encouraged more tribes to enter the gaming industry. Currently, 27 percent of the tribes have casino operations.

The Indian Tribal Governments office customers are more diligent in paying their tax obligations than the general Internal Revenue Service taxpayer population. For example, for Tax Year 2001, statistics show Indian Tribal Governments office customers paid 99 percent of the amounts originally reported as owed, compared to all Internal Revenue Service customers, who paid approximately 84 percent of what was reported as owed.

Indian Tribal Governments office management expressed concern about the tribal entities that have filed a U.S. Income Tax Return for an S Corporation (Form 1120S) because the tribal entities cannot be shareholders in these enterprises. Indian Tribal Governments office management determined they were already conducting examinations on some of the tribal entities TIGTA identified and started performing additional research on the others to determine whether examinations are warranted.

WHAT TIGTA RECOMMENDED

No recommendations were made in this report. However, key Internal Revenue Service management officials reviewed it prior to issuance and agreed with the facts and conclusions presented.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full Internal Revenue Service response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200710007fr.pdf>

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