

**FIRST ENGROSSMENT  
with House Amendments  
ENGROSSED SENATE BILL NO. 2258**

Introduced by

Senators Cook, Heckaman, Wardner

Representatives Boschee, Headland, Pollert

1 A BILL for an Act to create and enact chapter 57-39.9 of the North Dakota Century Code,  
2 relating to state-tribal agreements for the administration and collection of sales, use, and gross  
3 receipts taxes within the boundaries of the Fort Berthold Reservation, Lake Traverse  
4 Reservation, Spirit Lake Reservation, Standing Rock Reservation, or Turtle Mountain  
5 Reservation; to repeal chapter 57-39.8 of the North Dakota Century Code, relating to a  
6 state-tribal agreement with the Standing Rock Sioux Tribe; to provide a continuing  
7 appropriation; to provide for application; and to declare an emergency.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1.** Chapter 57-39.9 of the North Dakota Century Code is created and enacted as  
10 follows:

11 **57-39.9-01. Authority to enter state-tribal sales, use, and gross receipts tax**  
12 **agreements.**

13 The governor, in consultation with the tax commissioner, may enter separate agreements  
14 on behalf of the state with the governing body of the Three Affiliated Tribes of the Fort Berthold  
15 Reservation, Sisseton-Wahpeton Oyate of the Lake Traverse Reservation, Spirit Lake Tribe,  
16 Standing Rock Sioux Tribe, and Turtle Mountain Band of Chippewa Indians, which comply with  
17 this chapter relating to the collection, administration, enforcement, and allocation of state sales,  
18 use, and gross receipts taxes imposed and collected within the exterior boundaries of the Fort  
19 Berthold Reservation, that portion of the Lake Traverse Reservation located in this state, the  
20 Spirit Lake Reservation, that portion of the Standing Rock Reservation located in this state, or  
21 the Turtle Mountain Reservation. The tax commissioner shall conduct a review of any proposed  
22 agreement under this chapter to determine if its provisions can be administered and enforced.  
23 An agreement under this chapter must include the sales tax, use tax, farm machinery gross  
24 receipts tax, and the alcoholic beverages gross receipts tax.

1       **57-39.9-02. Agreement requirements.**

2       The governor may enter an agreement with a tribe or tribes if the agreement complies with  
3 this section.

4       1. The taxes subject to an agreement under this chapter are the state's sales, use, and  
5 gross receipts taxes under chapters 57-39.2, 57-39.5, 57-39.6, and 57-40.2, as may  
6 be amended subsequently by the legislative assembly, for taxable transactions and  
7 activities occurring exclusively within the exterior boundaries of the Fort Berthold  
8 Reservation, that portion of the Lake Traverse Reservation located in this state, the  
9 Spirit Lake Reservation, that portion of the Standing Rock Reservation located in this  
10 state, or the Turtle Mountain Reservation.

11       2. Except as otherwise provided in this chapter, the state's sales, gross receipts, and use  
12 taxes under chapters 57-39.2, 57-39.5, 57-39.6, and 57-40.2, must apply to all  
13 transactions and activities by all persons and entities occurring within the boundaries  
14 of the reservation.

15       3. A tribe or tribes shall impose taxes equal to the state's taxes which conform in all  
16 respects with regard to the taxable or exempt status of transactions and activities  
17 under chapters 57-39.2, 57-39.5, 57-39.6, and 57-40.2, but must be applied only to  
18 those taxable transactions and activities occurring within the exterior boundaries of a  
19 reservation which are exempt from state taxes because the transactions or activities  
20 occur within the tribe's or tribes' jurisdiction.

21       4. Chapters 57-39.2, 57-39.5, 57-39.6, and 57-40.2, and title 81 of the North Dakota  
22 Administrative Code govern the administration of the taxes subject to an agreement  
23 under this chapter.

24       5. Except as provided in subsection 6, tribally owned and tribal member-owned business  
25 entities operating within the boundaries of a reservation are subject to the state's tax  
26 or taxes contained in the agreement.

27       6. Any tax subject to an agreement may not be imposed on a tribally owned entity that  
28 solely performs a governmental function or provides essential government services  
29 that directly impact the health, welfare, or safety of the tribe and its members, if the  
30 tribal entity is identified as such in the agreement. Any other tribally owned business

1 enterprise whose moneys are used, in whole or in part, to fund governmental functions  
2 or services, is not subject to the exemption provided under this subsection.

3 7. The governor and the tribe or tribes must agree the tribe or tribes may not impose any  
4 direct or indirect tribal tax or fee on retailers, transactions, or activities subject to the  
5 tax agreement. This subsection does not apply to tribal employment rights office fees.

6 8. The tax commissioner retains authority to collect, administer, and enforce the taxes as  
7 provided in chapters 57-39.2, 57-39.5, 57-39.6, and 57-40.2, including the authority to  
8 audit, assess, refund, credit, or determine the exempt or nonexempt status of any  
9 transaction, for taxes collected within the reservation under an agreement.

10 9. Any controversy or claim between the tribe or tribes and the state, arising out of or  
11 relating to an agreement under this chapter, is subject to binding arbitration in  
12 accordance with the processes and procedures provided in the agreement between  
13 the tribe or tribes and the state. Any issues concerning the jurisdiction of the state to  
14 impose a tax are expressly excluded from the scope of the arbitration.

15 10. The amount of state sales, use, and farm machinery gross receipts tax revenue  
16 allocated to a tribe or tribes under an agreement must be calculated as follows:

17 a. Fifty percent of the taxes collected from retailers within the exterior boundaries of  
18 the reservation. The state shall receive the remainder.

19 b. An amount of estimated use taxes paid or collected from enrolled tribal members  
20 residing within the exterior boundaries of the reservation determined by  
21 multiplying the enrolled membership of the tribe by the estimated per capita use  
22 tax. The estimated per capita use tax is ten percent of the per capita sales tax  
23 burden. The per capita sales tax burden is determined by multiplying the state tax  
24 rate factor by one third of the sales tax burden reported by the most recent "Tax  
25 Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison",  
26 published by the government of the District of Columbia office of revenue  
27 analysis, for a family of three living in the largest city in North Dakota, and  
28 earning fifty thousand dollars per year. The state tax rate factor is a fraction  
29 representing the state general sales tax rate as a share of the combined state  
30 and local sales tax rate for the North Dakota city referenced in this subdivision.

- 1           c. Except as provided in subdivision d, the enrolled membership of the tribe must be  
2           certified to the state by September thirtieth of each year during the term of the  
3           agreement. The enrolled membership of the tribe must consist of the number of  
4           enrolled members of the tribe physically residing within the exterior boundaries of  
5           the portion of the tribe's reservation located in this state. The enrolled  
6           membership of the tribe must be based on the tribe's enrollment office records,  
7           the bureau of Indian affairs enrollment records, or other records maintained by  
8           the tribe. The previous year's certified enrollment number must be used if the  
9           tribe does not issue a certification by September thirtieth, unless the tribe  
10          demonstrates the certified enrollment number has increased or decreased.  
11          d. The tribe or tribes shall provide the initial population required by subdivision c no  
12          less than sixty days before the effective date of the agreement.  
13          e. The manner in which the state and tribe resolve issues arising under this  
14          subsection must be specified in the agreement.  
15      11. The amount of alcoholic beverages gross receipts tax allocated to the tribe under an  
16      agreement must be equal to an amount determined by multiplying the enrolled  
17      membership of the tribe by the state alcohol revenue per capita.  
18          a. The state alcohol revenue per capita is the monthly collections of the state's  
19          alcoholic beverages gross receipts tax designated for deposit in the state general  
20          fund divided by the state's total population as determined in the most recent  
21          actual or estimated census data published by the United States census bureau.  
22          b. The enrolled membership of the tribe must be certified to the state by September  
23          thirtieth of each year during the term of the agreement. The enrolled membership  
24          of the tribe must consist of the number of enrolled members of the tribe physically  
25          residing within the exterior boundaries of the portion of the tribe's reservation  
26          located in this state. The enrolled membership of the tribe must be based on the  
27          tribe's enrollment office records, the bureau of Indian affairs enrollment records,  
28          or other records maintained by the tribe. The previous year's certified enrollment  
29          number must be used if the tribe does not issue a certification by September  
30          thirtieth, unless the tribe demonstrates the certified enrollment number has  
31          increased or decreased.

- 1           c. The tribe or tribes shall provide the initial population required by this subsection  
2           no less than sixty days before the effective date of the agreement.
- 3           d. The manner in which the state and tribe resolve issues arising under this  
4           subsection must be specified in the agreement.
- 5       12. An agreement under this chapter must give the tax commissioner, after consulting with  
6       the governor, and a tribe or tribes the authority to terminate an agreement with or  
7       without cause.
- 8       13. An agreement under this chapter must include:
- 9           a. A statement that the parties to the agreement are not forfeiting any legal rights to  
10          apply their respective taxes by entering an agreement, except as specifically set  
11          forth in the agreement;
- 12          b. A statement that a taxpayer may not be required to pay both the state tax and the  
13          tribal tax but shall pay only one tax to one government in an amount established  
14          by the agreement;
- 15          c. A statement that the state and the tribal government shall cooperate to collect  
16          only one tax and share or refund the revenue as specified in the agreement;
- 17          d. A statement recognizing the sovereign rights of the state and the tribe or tribes;  
18          and
- 19          e. A statement that:
- 20               (1) The rights of each party must be determined by the terms of the agreement  
21               with respect to the taxes subject to the agreement;
- 22               (2) Neither party may seek additional entitlement or seek to deny entitlement on  
23               any federal ground, including federal pre-emption, whether statutorily  
24               provided for or otherwise with respect to the taxes that are the subject of an  
25               agreement; and
- 26               (3) Both parties shall defend the agreement from attack by third parties.
- 27       14. a. Notwithstanding any other provision of state law, the agreement must contain  
28       provisions in which:
- 29               (1) Except as otherwise provided by law, the tax commissioner shall maintain  
30               the confidentiality of tax information relating to and gathered under the  
31               terms of an agreement as provided in section 57-39.2-23;

1                   (2) The tribe or tribes may receive a list of retailers located within the  
2                               boundaries of the reservation and the amount of tax collected from each  
3                               retailer during a reporting period; and

4                   (3) The tribe or tribes agree to protect the confidentiality of tax information  
5                               received from the tax commissioner.

6                   b. The agreement must specify the processes or procedures necessary to  
7                               safeguard the confidential nature of the tax information.

8                   15. The administration, collection, and enforcement of the taxes under an agreement may  
9                               begin no sooner than the first day of a calendar quarter which is at least ninety days  
10                              after the agreement is signed by the parties.

11                   16. Taxes imposed under chapters 11-09.1 and 40-05.1 are not subject to allocation under  
12                              an agreement entered under this chapter.

13                   **57-39.9-03. Inapplicability of chapter 54-40.2.**

14                   Chapter 54-40.2 does not apply to an agreement entered under this chapter.

15                   **57-39.9-04. Revenue allocation and distribution - Refunds - Continuing appropriation.**

16                   The tax commissioner shall certify and transfer to the state treasurer for deposit in the tribal  
17                   allocation fund, a special fund created in the state treasury, tax revenues allocated to a tribe or  
18                   tribes under subsection 10 of section 57-39.9-02. Tax revenues collected under this chapter are  
19                   not subject to section 57-39.2-26.1, and are provided as a standing and continuing  
20                   appropriation to the state treasurer for distribution on a monthly basis.

21                   **57-39.9-05. Refunds - Continuing appropriation.**

22                   1. Refunds of the tax imposed under chapters 57-39.2, 57-39.5, 57-39.6, and 57-40.2,  
23                              which are subject to an agreement under this chapter, must be paid from the state  
24                              general fund, and are provided to the state treasurer as a standing and continuing  
25                              appropriation.

26                   2. Refunds of taxes paid under this section must be reimbursed to the state general fund,  
27                              with interest at the rate prescribed in section 57-39.2-25, from the first available  
28                              moneys deposited in the tribal allocation fund.

29                   3. The tax commissioner shall determine the reservation of the tribe or tribes to which the  
30                              refund is attributable. The refund, including interest, must be reimbursed from the first

1           available moneys deposited in the tribal allocation fund on behalf of the tribe or tribes  
2           to which the refund is attributable.

3           **SECTION 2. REPEAL.** Chapter 57-39.8 of the North Dakota Century Code is repealed.

4           **SECTION 3. APPLICATION.** Section 1 of this Act applies to agreements entered after the  
5 effective date of this Act.

6           **SECTION 4. EMERGENCY.** This Act is declared to be an emergency measure.