



United South and Eastern Tribes, Inc.

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USET Resolution No. 2015:020

ENACT A TECHNICAL AMENDMENT TO REMOVE THE “KIDDIE TAX” PENALTY FROM TRANSFERS OF TRIBAL FUNDS TO TRIBAL CHILDREN AND COLLEGE STUDENTS

- WHEREAS,** United South and Eastern Tribes Incorporated (USET) is an inter-Tribal organization comprised of twenty-six (26) federally recognized Tribes; and
- WHEREAS,** the actions taken by the USET Board of Directors officially represent the intentions of each member Tribe, as the Board of Directors comprises delegates from the member Tribes’ leadership; and
- WHEREAS,** in 1986 the Congress enacted a provision, often referred to as the “kiddie tax”, which sought to prevent wealthy parents from dodging high-bracket tax rates by transferring taxable family income to their children so it would be taxed in lower tax brackets; and
- WHEREAS,** the “kiddie tax” penalty provision used overly-broad language that applied high-bracket tax rates to transfers of all “unearned income” to children, leading the Internal Revenue Service (IRS) to apply its high-bracket tax rates to distributions of Tribal funds to Tribal members under the age of 25 years; and
- WHEREAS,** unlike wealthy parents, when Tribal governments or their minors’ trusts make distributions of Tribal funds to Tribal members under the age of 25 years, they do so to serve federal-Tribal public policy goals; and
- WHEREAS,** unlike wealthy parents, Tribal governments do not pay income tax and thus are not avoiding income tax when they transfer Tribal funds to Tribal members to serve federal-Tribal public policy goals; and
- WHEREAS,** the “kiddie tax” penalty applies not only to minor children but also to adults age 19 to 24 who are full-time students; and
- WHEREAS,** the “kiddie tax” penalty perversely tempts Indian students to drop out of school so they can avoid paying higher taxes on the financial support they receive from their Indian Tribe; and
- WHEREAS,** it is a distortion of tax policy to double or triple the income tax rate applied, to trust fund distributions to young adult Tribal member while he or she is enrolled in college; and
- WHEREAS,** in the interest of tax fairness and equity, Congress should enact a technical amendment to expressly exclude the transfer of Tribal funds by a Tribal government or Tribal minors trust to Tribal members from the “kiddie tax” penalty provision, and thereby prevent such Tribal transfers from being taxed at the higher income tax rates of the Tribal member’s parents; and

WHEREAS, in December 2010, the United States recognized the rights of its First Peoples through its support of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), whose provisions and principles support and promote the purposes of this resolution; therefore, be it

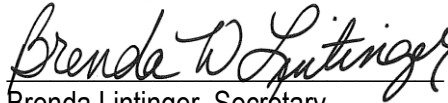
RESOLVED the USET Board of Directors calls on the United States Congress and the Administration to support immediate enactment of a technical amendment which expressly excludes the transfer of Tribal funds by a Tribal government or Tribal minors' trust to Tribal members from the "kiddie tax" penalty provisions of the United States Internal Revenue Code.

CERTIFICATION

This resolution was duly passed at the USET Impact Week Meeting, at which a quorum was present, in Arlington, VA, February 12, 2015.



Brian Patterson, President
United South and Eastern Tribes, Inc.



Brenda Lintinger, Secretary
United South and Eastern Tribes, Inc.

“Because there is strength in Unity”