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House Tax Reform & Indian Country

A Preliminary Analysis

Congressman Dave Camp (R-MI-4th), Chairman of the House Ways and Means Committee, released a widely anticipated [proposal](#) to overhaul the tax code. The proposal, released on Wednesday, February 26, 2014, advocates dramatic changes to the personal and business tax codes, which will undoubtedly have a significant impact on business and personal spending, capital flow, and the broader economy. More specific to tribal governments, the changes negate incentives designed to attract business and investment spending in Indian Country, while preserving the right of tribal governments to provide general welfare services to their members without taxation.

The proposal is important, not just because it simplifies the tax code - a goal of both the House and Senate tax reform efforts, but also because it serves as the starting point for future tax reform discussions. The Chairman's proposal would simplify the existing seven tax brackets into three main brackets, while removing many tax deductions and exemptions, including the Alternative Minimum Tax along with business and investment credits. The proposal also scales back the popular Earned Income Tax Credit, allowable retirement contributions, and mortgage interest deductions. No person or business was exempt in the effort to simplify the code and drive down rates, not even the one-percenters, who will be obligated to pay a surtax of ten-percent on earnings over \$450,000.

While more analysis is needed on the proposal's indirect impact on tribal governments, the impacts specifically referenced in the discussion draft include: repealing the accelerated depreciation for projects on reservations; repealing the Indian employment tax credits; terminating deductions of lobbying expenses for legislation before tribal governments; a surtax on some tribal bond interest; and the termination of all private activity bonds. Other sections that need further analysis include the impacts of leasehold improvements, housing tax credits, limitations on 403(b) and governmental 457(b) retirement plans, and energy credits and deductions. For Alaska

Native Corporations, many of the business provisions will directly impact business and investment decisions based on current tax implications.

While most agree the Bill has little hope of making it through Congress this year, it nevertheless sparks a national conversation on tax reform in an election year. It also serves as a benchmark for Republicans who have long called for such a proposal but have not put one forth until now. For Indian Country, the Bill should spur a conversation between tribal governments regarding a pathway forward to protect significant gains that acknowledge and protect sovereignty and encourage much-needed economic development.



*Growing Tribal Economies * Strengthening Tribal Finance*