

QUESTIONS AND ANSWERS ON P. L. 587

TAXATION

The following questions and answers are based on a memorandum from the Oregon State Tax Commission dated October 17, 1956 in regard to the income tax liability of Indian residents of Oregon. Copies of this memorandum are available to tribal members at the Information office in Chiloquin or from our staff in the field.

1. Question: What Indian lands **are exempt** from taxation?

Answer: All land held in trust by the United States for the benefit of a tribe; all land held by an Indian subject to patent restrictions on alienation or encumbrance; and all land held by the United States for the benefit of an individual Indian is exempt from taxation.

2. Question: What Indian income **is exempt** from taxation?

Answer: All income directly from any of the above mentioned land (Question & Answer 1) is exempt from taxation, whether such income be from the sale of timber upon the land, fish taken from its streams, cattle grazed upon it or minerals taken from below its surface.

3. Question: What Indian lands **are not exempt** from taxation?

Answer: All land held by an Indian, free of restriction by the United States, is taxable. This includes all unrestricted property acquired by an Indian by purchase, devise, bequest, descent or inheritance. The income from such land is taxable and the income resulting from the sale of such land is taxable. The Tax would be computed as a capital gain* and the gain would be the net selling price less the fair market value of the land on the day the Indian received title to it.

*Note: A capital gain is an increase in the selling value of any property. For example, assume that a Klamath member is given an unrestricted title to allotted land. At the time he receives title the land is valued by the Bureau of Indian Affairs at \$20,000. He does not pay any tax on the land when he receives control of it, nor would he pay tax if he sold the property for its exact value, \$20,000. This exemption is provided in the termination law, Public Law, 587, Section 11.

However, assume that he found a buyer willing to pay \$25,000 for the land. The difference between \$25,000 and \$20,000, or \$5,000 is called a capital gain and as such is taxable.

4. Question: What Indian in-

come **is not exempt** from taxation?

Answer: All income resulting from the reinvestment of income received from such lands (as mentioned in Question 1 & 3). Also, all income resulting from the personal services of an Indian to any other Indian or non-Indian is taxable.

For Example: Say that a Klamath member received the exact value of his land, maybe \$30,000. This is not taxable. However, if he reinvests this money in stocks or bonds which have an annual interest rate of 5 per cent, his money will earn \$1,500 a year (5 per cent of \$30,000). He must then pay tax on the \$1,500, but not on the \$30,000.

Income from personal services rendered is obvious. This includes those Klamaths who are personally employed on some job, say in a mill, a factory, a store or driving a truck. All income derived from such services is subject to Federal and State income taxes and a return must be filed.

5. Question: It has been said by some non-Indians that the Klamath and other American Indians do not pay taxes. Is this true?

Answer: No, this is not true. The Klamaths and other American Indians have paid many taxes, past and present. These include all excise taxes imposed by the various governments on the manufacture, sale and consumption of most goods, like those on cigarettes, gasoline and automobiles. Many have paid income taxes on income from personal services, as well as personal and real property taxes on unrestricted lands.

The only property and income of the Klamaths which has been exempt from taxation has been those properties belonging to the tribe or individuals which are under restriction by the United States government, and the income from per capita payments. After termination, all exemptions will cease, and their collective and individual property and income will be subject to the same taxes as the property and income of other American citizens.

6. Question: If a Klamath member thinks he has paid a tax for which he is not liable, what can he do to recover his money and prevent further demands for such taxes?

Answer: Within the organization of the Oregon State Tax Commission and the United States Internal Revenue Service,

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both public and private, within the economic area.

Income of Remaining Members Will be Slashed

It may not even be advisable for those persons who remain in the Tribe to continue in a sustained yield management program. After the first cutting cycle has been completed in 1963, the per capita payments of the individual members would be only about one-half of what they are at the present time. Also, as indicated in the foregoing, the stumpage prices which this remaining group should rightfully expect from the sales of their timber would be seriously reduced because of the huge volumes of timber being sold for those who elect to withdraw. Even though they might desire to continue in a sustained yield management program on the area under their management these remaining members would be forced to cut all of the growing stock of timber in order to maintain their per capita returns at a reasonable level. This, of course, would eventually leave them with no more timber to sell.

Even the effects of the law on the economy of the Upper Klamath Basin will eventually work against the interests of the real Indian people, most of whom will remain on the land which has been their home, their heritage. For, after the creation of a veritable boom, based on cheap stumpage prices and hastily-constructed sawmills, there will follow an eventual decline in the timber industry of the area. This decline will come at a time when many of the Indian people will be trying to adjust themselves to a condition of self-sustaining employment. Such a decline would no doubt react much more severely against the welfare of the average Klamath Indian than it would

provision has been made for systems of appeal on tax matters. If a taxpayer feels he is not liable for a tax or has been taxed beyond what he thinks he owes, he can appeal to various levels of authority to have the tax order set aside or changed. If in the event the top authority refuses to change or set aside a tax order, the taxpayer can take the issue to the courts for final settlement.

If individual Klamath members have further tax questions, they can learn more details by writing or calling the United States Internal Revenue Service, or the State Tax Commission, of the state in which they reside.

against his better-trained white neighbor.

Law Must Be Amended

Since the forced sales of timber required by Public Law 587 would not be in the best interests of either the Klamath Indians or the economy of the Klamath Basin, it is now the opinion of the Management Specialists that the law should be amended in a manner that will protect the interests of all concerned.

(Ed. Note) The next issue of the Tribune will conclude this series of reports by the Management Specialists and will contain their proposals for the amending of Public Law 587.

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COMMUNITY MEETINGS

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fields and the services they are now making available to Klamath Tribal members. Information about Public Law 587 and a general discussion about termination were given by John Neyerlin. A discussion period followed these talks. Attractive displays were set up in each hall, featuring the various aspects of the education program.

Lynn Anderson, Karen Hatcher and Gleta Wampler volunteered their services and had a well planned program of entertainment and games for the children. Refreshments and an exciting feature length movie completed each evening meeting.

H. Zakoji, chairman during these meetings, announced that the Education office will present varied programs of interest and importance to tribal members regularly each month, and that supervised child care and a feature length movie will always be presented. He emphasized that these are meetings designed for the enjoyment of all members of the family.

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A farm boy said to his brother, "Reuben, how would you get a girl to marry you?"

Reuben answered, "Well, if she don't want to, you can't; but if she does, there ain't hardly no way to prevent it."

A sailor and his girl were riding out in the country on horseback. As they stopped for a rest the two horses rubbed necks affectionately.

"Ah, me," said the sailor. "That's what I'd like to do."

"Well, go ahead," answered the girl. "It's your horse."