

# Indian Self-Government, Dual Taxation, and Economic Impacts

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September 19, 2023

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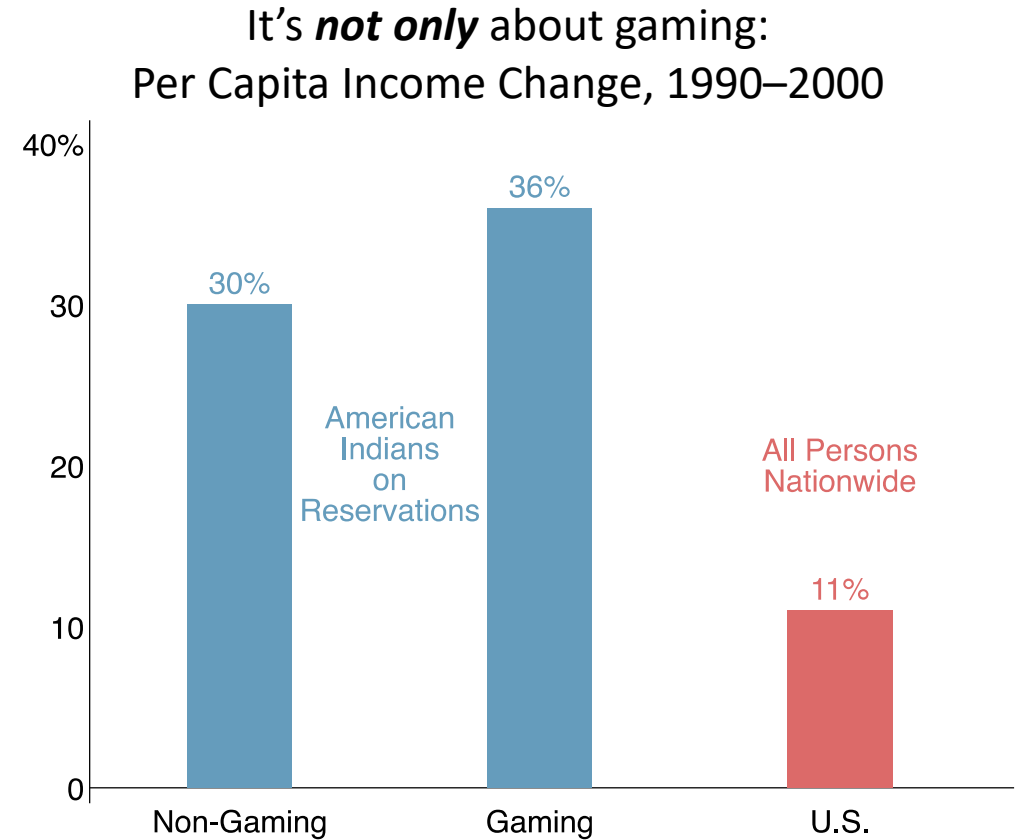
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# 30 Years of Research



# Indian Self-Government: Not just the law...a good idea

- American Indian economic and social resurgence arises from *self-government* not aid or federal antipoverty programs.
- *Self-government* in Indian Country entails making law, paving roads, treating sewage, restoring habitat, placing foster children, taxing economic activity, regulating water quality, adjudicating disputes, and more.
- Growing economies, improving public services, and stronger infrastructure spillover to non-Indians (and to state and local treasuries).



Taylor & Kalt, 2005.

# What Indian Self-Government Produces:

- More effective and valuable use of natural resources (Krepps and Caves 1994, Jorgensen 2000)...
- Shorter emergency response times and greater public satisfaction with emergency services (Taylor, *et al.*, 1999, Wakeling, *et al.*, 2000)...
- Top-in-the-nation substance abuse recovery rates (NWITC, 2022)...
- High-quality rural health and wellness facilities (Kalispel, 2022)...
- Top-ranked job quality (Kalt, *et al.* 2022 )...
- Broadband, 9-1-1 service, highway, and other infrastructure (Kalt, *et al.* 2022)...
- Economic growth in regions that need it (Croman Taylor, 2016)...

**...to the benefit of Indians and non-Indians.**



# ECONOMIC IMPACT OF THE MASHANTUCKET PEQUOT TRIBAL NATION

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July 2019



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## Findings in Brief

The Mashantucket Pequot Tribal Nation's enduring nature as a government, its continuous occupancy of a 350-year old reservation, and recognition of those facts in law determine the economic character of its effects on Connecticut today, the subject of this report.

Thirty years of research now makes clear that American Indian economic growth arises not from federal aid or program design, but rather from tribes' asserting their sovereignty, building institutions to exercise that sovereignty, and designing those institutions in alignment with Indigenous culture.

The Mashantucket Pequot Tribal Nation (MPTN) stands in the vanguard with the tribes that demonstrate both the validity of that research and the benefits of American Indian economic growth for surrounding communities.

To attract and accommodate customers from beyond the local population, the MPTN has invested more than \$2.7 billion in Foxwoods Resort Casino since inception.

Foxwoods and the Tribe's allied businesses attract more than 12.8 million visits per year—an average of 35,000 visits daily. Over its lifetime, Foxwoods has hosted 300 million visits, the rough equivalent of every living man, woman, and child in the US today.

At the end of 2017, 9,702 people were employed at the Mashantucket Pequot Reservation, as follows:

- MPTN employed 544 people to do the work of its government.
- Foxwoods and other tribal enterprises employed 6,772.
- An additional 2,386 people worked in non-tribal retail stores and restaurants on the reservation.

If it were a single entity, the combined employment of MPTN government operations, Foxwoods and other tribal enterprises, and the other businesses located at Foxwoods would rank it eighth in Connecticut above Wal-Mart and below the University of Connecticut. As a stand-alone proposition, Foxwoods Resort Casino ranks thirteenth, above Trinity Health of New England and below Mohegan Sun and The Hartford.

Seventy-seven percent of the Tribe's payroll is paid in Connecticut, most of it close to Mashantucket, CT. More than four-fifths of this Connecticut payroll was paid in the state's poorest zip codes.

In fiscal year 2017, employees of the Tribe's government and business enterprises earned more than \$180 million in regular and overtime earnings, plus \$144 million in benefits (the bulk of which were medical and dental insurance, paid leave, and 401(k) contributions) for a tribe-wide total employee compensation of \$324 million.

The Mashantucket Pequot Tribe withheld \$31 million in federal income taxes, \$8.8 million in state income taxes, and \$40 million in Social Security and Medicare taxes. In addition to these amounts, the Tribe's tenant stores and restaurants paid compensation and withheld taxes too.

The estimated direct, indirect, and induced impacts of the 2017 economic activity of the Mashantucket Pequot Reservation totaled \$1.1 billion for the Connecticut economy. Mashantucket Pequot Reservation economic activity supported nearly 12,500 jobs in Connecticut in 2017.

Under the terms of intergovernmental agreements with Connecticut, the MPTN and the Mohegan Tribe have made payments to the State over the past 25 years that amount to nearly \$8 billion.

In 2017, Mashantucket Pequot Reservation economic activity yielded \$145 million in direct Connecticut state and local government revenue; Indirect and induced economic activity added an estimated \$52 million to Connecticut's total.

Connecticut's realized revenue from the Mashantucket Pequot and Mohegan Tribes in the fiscal year ended June 30, 2018 (\$273 million) is almost a third the size of the \$921 million that Connecticut realized in corporation tax revenue that year.

MPTN's economic and fiscal benefits to Connecticut never required any tax abatement, relocation incentive, tax exemption, or other Connecticut tax expenditure.

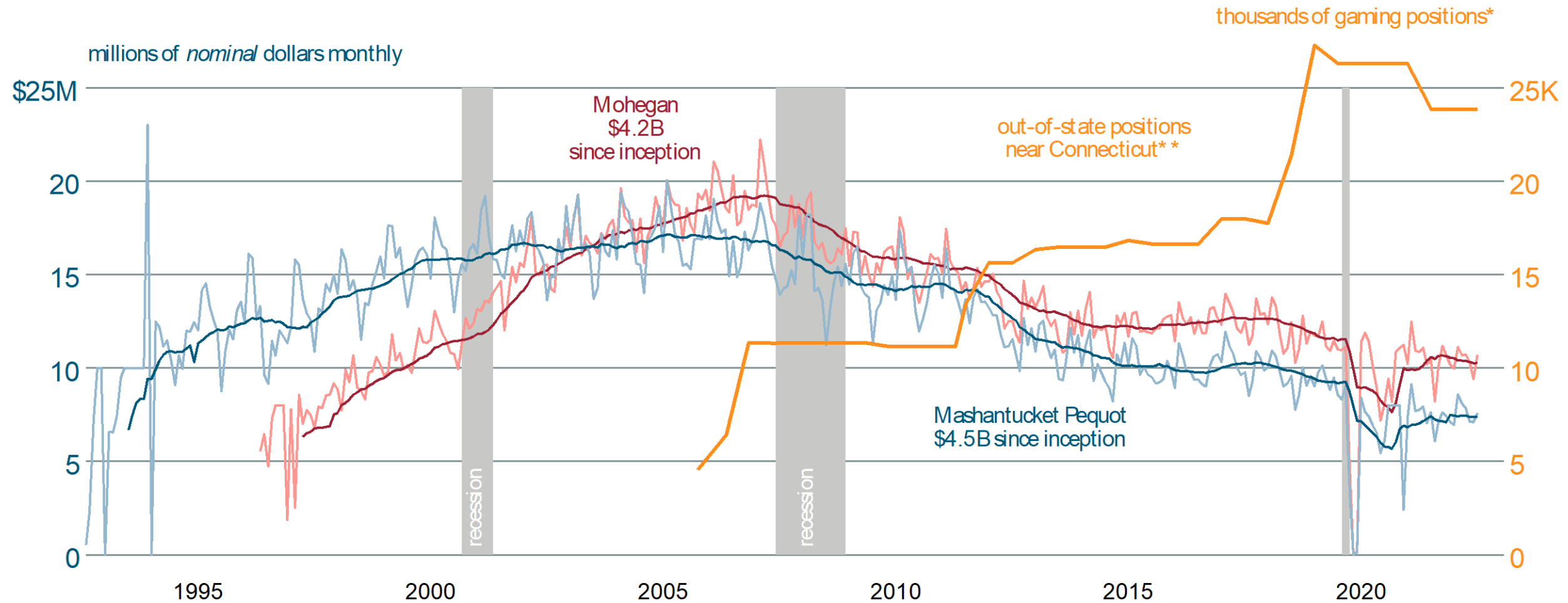
MPTN's 25% direct payment of \$120 million in Connecticut fiscal year 2018 would just about cover the cost of Connecticut's business exemption of sales taxes for machinery used in manufacturing, \$101 million, and its research and experimentation tax credit, \$21 million.

Since more than three-quarters of Foxwoods' gaming dollars in 2017 came from out-of-state patrons, taxpayers and advocates of Connecticut economic growth can rest assured that the Tribe's economic impact is overwhelmingly a net contribution.

# The Mashantucket Pequot Economic Engine

1. The Mashantucket Pequot Tribe and its tenants employed 9,702 people, paying 77% of its payroll in Connecticut.
2. 80%+ of in-state tribal payroll was paid into the poorest zip codes in Connecticut.
3. Three-quarters of Foxwood's gaming dollars come from out-of-state patrons.
4. MPTN withheld \$31 million in federal income taxes, \$8.8 million in state income taxes, and \$40 million in Social Security and Medicare taxes.
5. Mashantucket Pequot economic activity yielded \$145 million in direct Connecticut state and local government revenue; Indirect and induced economic activity added an estimated \$52 million to Connecticut's total.
6. Connecticut's realized gaming revenue from the Mashantucket Pequot and Mohegan Tribes in the fiscal year ended June 30, 2018 (\$273 million) was almost a third the size of the \$921 million that Connecticut realized in corporation tax revenue that year.
7. MPTN's economic and fiscal benefits to Connecticut never required any tax abatement, relocation incentive, tax exemption, or other Connecticut tax expenditure.
8. MPTN's 25% direct *payment* of \$120 million in Connecticut fiscal year 2018 would just about cover the cost of Connecticut's business *exemption* of sales taxes for machinery used in manufacturing, \$101 million, and its research and experimentation tax *credit*, \$21 million (Taylor, 2019).

# Tribal Contributions to Connecticut and Out-of-State Competition



\* Positions = slot machines + 7 × (table games + poker tables)

\*\* In Massachusetts, Rhode Island, and southeast New York for selected dates up to January 1, 2023.

Darker line indicates trailing 12-month moving average.

Sources: FRED, Casino City, CT DCP.

**\$4.2B + \$4.5B = \$8.7B nominal dollars, or \$12.9B in inflation-adjusted, 2022 dollars.**



# The Dual Taxation Burden & the Benefit of Lifting It

- Routinely in Indian Country, state and local governments abdicate responsibility for public goods and services on Indian Reservations: “That’s a tribal and federal problem.”
- When state and local governments tax reservation activity without contributing to reservation public goods and services, tribes face a Hobson’s choice: double-tax an economic activity (and drive it off-reservation) or don’t tax it at all.
- Double-taxation leads to underinvestment via delay, complexity, and fiscal shortfall. There are investments that are years later than otherwise and investments that don’t take place at all.
- Tribal primacy in on-reservation taxation puts the resources, decision-making, and investment potential in the right hands—to the benefit of non-Indians, too (Croman & Taylor, 2016).

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