

Income Considerations of American Indians

***VITA Instructor & Site Coordinator
Orientation***

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Topics to be covered:

- Special Income Considerations for American Indians
- Types of Income
- How to complete AZ 140
- Documents
- Questions to ask
- Affordable Care Act & AI/AN
- Map
- Resources

Special Income Tax Considerations for American Indians

- Arizona Income Tax Exclusions

Must meet all criteria:

- Living & working on the reservation
- Deriving income from reservation sources only
- Affiliated member of the tribe for which that reservation was established

- *Arizona Income Tax Ruling ITR 96-4*

<https://azdor.gov/Portals/0/Rulings/ITR96-4.pdf>

Interest & Dividend Payments

- Interest and dividend income received is not included in Arizona income even if the bank or corporation making the payments are located off the reservation.
- The Native American must live on the reservation and be an affiliated member of the tribe for which the reservation was established.

Gambling Winnings

- Gambling winnings are not included in Arizona income if
 - the casino is on the tribal member's reservation,
 - the tribe owns the casino,
 - the tribal member lives on the reservation, and
 - the tribal member must be an affiliated member of the tribe for which the reservation was established.

Per Capita Payments

- Per capita payments are not included in Arizona income if the Native American is living on the reservation.
- Per capita payments received by Native Americans living off the reservation are taxable.
- Per capita payments received by dependents living temporarily off the reservation, such as students at college, are not included in income if the dependent's parents live on the reservation, the parents are affiliated members of the tribe for which the reservation was established, and the dependent's home is located on that reservation.

Per Capita Payments

- Reported – 1099-Misc
 - Box 3 – Other Income
 - Ask what type of income.
 - If response is “per cap”. Verify if “gaming per cap”.
 - Unearned income
- 1040 (Federal Return)
 - Line 21 – Other Income
 - INDIAN GAMING PROCEEDS
 - INDIAN TRIBAL DISTRIB
 - NATIVE AMERICAN DISTRIB

Arizona Excise Tax Credit

- Native Americans who live on the reservation and are affiliated members of the tribe for which the reservation was established are still eligible to file for the refundable Arizona Excise Tax Credit.

Work On and Off Reservation

- If the Native American worked on and off the reservation in the same tax year, an allocation must be made to determine the correct excludable income.
- The Native American would have some excludable income if the tribal member lives on the reservation and if he/she is an affiliated member of the tribe for which the reservation was established.
- These individuals should be referred to the Arizona Department of Revenue in order to determine the excludable income as needed.

MFJ – AI and Non-AI

- Filing a joint Arizona income tax return, the following income shall be subtracted in determining AZ adjusted gross income:
 - 1) The income earned by the affiliated Native American from the reservation sources while living on the reservation.

And

- 2) One-half of the non-Indian spouse's or non-affiliated Indian spouse's community income earned from reservation sources while living on the reservation.

AZ 140 Form

- Line 31 – Certain Wages of American Indians
 - Enter amount of wages to be excluded from state taxes
 - Use scratch pad to list types and amounts of income being excluded.

What to Bring to the Tax Preparer

- Photo ID
- Original Social Security cards
- Birth date information
- Records of income and expenses
- Copy of prior year returns (helpful)
- MFJ – both spouses must sign paperwork for e-filing
- Tribal Membership – **self attestation**

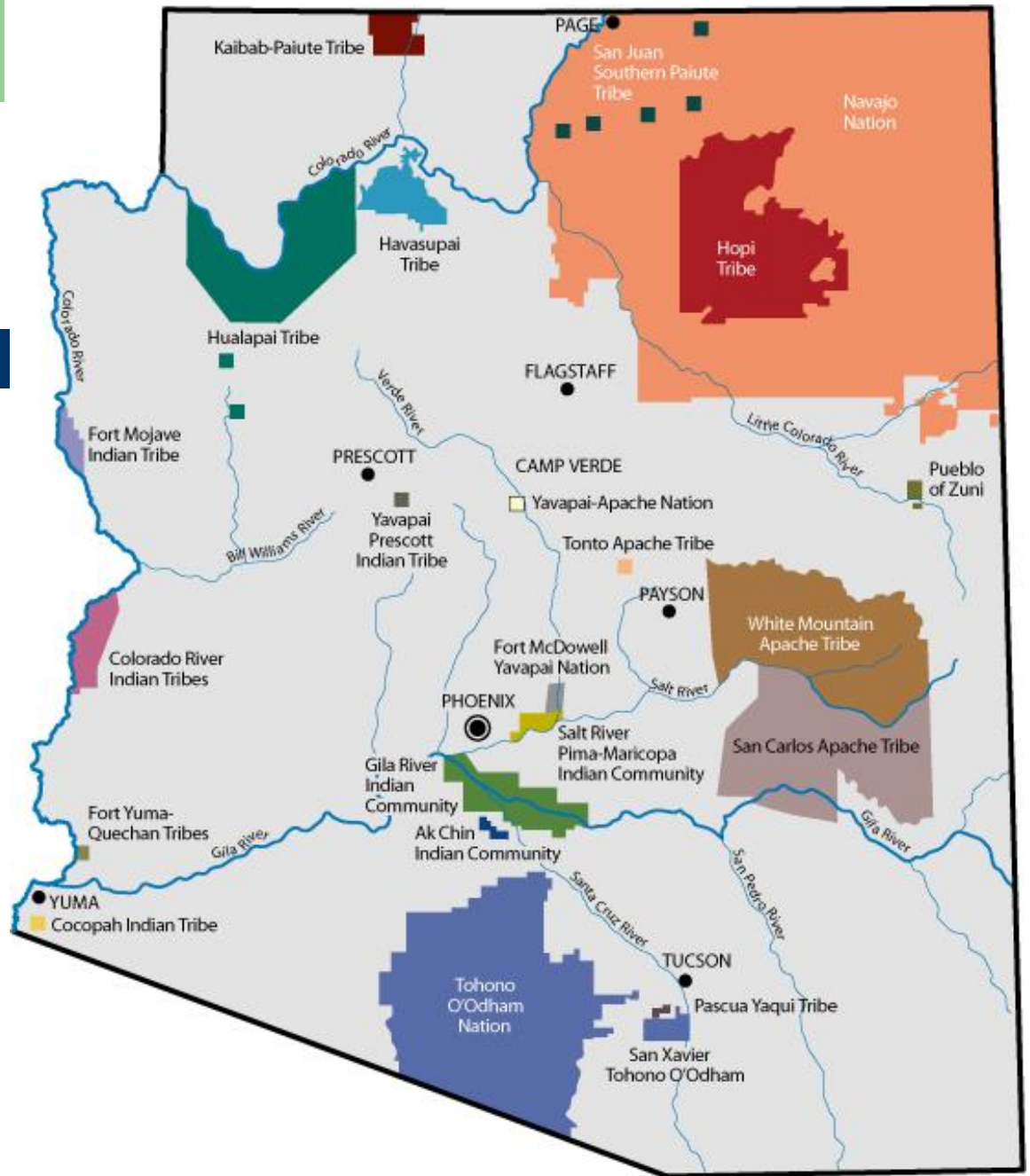
Questions to ask?

- Are you a member of a federally recognized Indian tribe?
- Do you live on your tribe's reservation?
- Do you work on your tribe's reservation?

Information

- Have a map of Arizona tribes
- Become familiar with communities/towns located on reservations
- If unsure, ask tax payer if town is located on reservation

Map of Tribal Lands in Arizona



Tribes in Arizona

- Ak-Chin Indian Community
- Cocopah Indian Tribe
- Colorado River Indian Tribes
- Fort McDowell Yavapai Nation
- Fort Mohave Indian Tribe
- Gila River Indian Community
- Havasupai Tribe
- Hopi Tribe
- Hualapai Tribe
- Kaibab Band of Paiute Indians
- Navajo Nation
- Pascua Yaqui Tribe
- Pueblo of Zuni
- Quechan Tribe
- Salt River Pima-Maricopa Indian Community
- San Carlos Apache Tribe
- San Juan Southern Paiute
- Tohono O'odham Nation
- Tonto Apache Tribe
- White Mountain Apache Tribe
- Yavapai-Apache Tribe
- Yavapai Prescott Indian Tribe

IRS Resources

Publication 5424 – Income Tax Guide for Native American Individuals and Sole Proprietors (www.irs.gov)

The publication covers the following topics:

Earned Income and Investment Income

- Wages/Self-Employment Income
- Tip Income
- Passive Income (trade or business not actively participate; rental activities)
- Investment Income

Distributions

- Per Capita Distributions
- General Welfare Distributions

Income Exempt from Federal

Tax Information for Indian Tribal Governments (www.irs.gov)

Tribal Member Issues

- Tax Resources
- Land Resources
- Other Member Issues (Tuition and other Educational Benefits provided by Tribes, Form 1098-T)



Questions?

Thank You!

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