

**INTERGOVERNMENTAL AGREEMENT
CONCERNING TAXATION OF MOTOR VEHICLE FUEL AND SPECIAL FUEL
BETWEEN THE SPOKANE TRIBE AND THE STATE OF WASHINGTON**

I. RECITALS

- 1.1. The Spokane Tribe of Indians ("Tribe") has filed a lawsuit in the federal district court for the Eastern District of Washington against the Director of the Washington State Department of Licensing claiming:
 - a. the Washington State motor vehicle and special fuels tax is invalid *per se* as a matter of federal law because the legal incidence of the State's motor vehicle fuel tax falls on the Tribe; and
 - b. Federal law preempts the State motor vehicle and special fuels taxes.
- 1.2. The State of Washington ("State") maintains that the Tribe's bulk fuel purchases are subject to the State's motor vehicle and special fuels tax.
- 1.3. The State contends that a State-Tribal fuel tax agreement, as prescribed in RCW 82.38.310 and 82.36.450 is an available and adequate remedy for the Tribe's claims in the lawsuit.
- 1.4. The Tribe contends that a State-Tribal fuel tax agreement provides only partial relief for the Tribe's claims in the lawsuit.
- 1.5. The Tribe and the State (collectively "the parties") have conferred and engaged in intergovernmental negotiations in a mutual, good faith effort to reach an arrangement in regard to State fuel taxes on the distribution, sale, transfer, use, or possession of motor vehicle fuel and special fuel within the Spokane Indian Reservation ("Reservation").
- 1.6. Each party to this Agreement respects the sovereignty of the other and desires to work within the framework of an intergovernmental relationship.
- 1.7. The State, pursuant to chapters 82.36 and 82.38 RCW, imposes State fuel taxes upon the distribution, sale, transfer, use, or possession of motor vehicle fuel and special fuels within the State, the revenue from which is used exclusively for highway purposes.
- 1.8. The Tribe expends Tribal funds each year for public highways and traffic law enforcement within the Reservation, as well as for other essential governmental purposes.
- 1.9. The parties mutually acknowledge the need to maintain the integrity and quality of public roads within the Reservation.

II. PURPOSES OF THIS AGREEMENT

- 2.1. The parties concur that this Agreement constitutes relief to the Tribe from State motor vehicle and special fuels taxes.
 - a. The Tribe reserves its right to argue that the relief to the Tribe provided herein is partial and does not provide an adequate remedy for the Tribe's claims.
 - b. The State reserves its right to argue that the relief to the Tribe provided herein constitutes a full and adequate remedy for the Tribe's claims.
- 2.2. This Agreement primarily addresses the establishment of a cooperative framework for taxation and regulation, by the Tribe and by the State, respecting the distribution, sale, transfer, use, or possession of motor vehicle fuel and special fuel when such fuel is distributed, sold, used, or possessed within the Reservation.
- 2.3. In general, the parties intend that the State of Washington's statutory and regulatory law for taxation with respect to such fuel remain in full force and effect under this Agreement except with respect to:

- a. fuel distributed or sold to the Tribe that the Tribe uses for its essential governmental functions and Tribal businesses, and
- b. the amount of fuel annually supplied to the Tribe under the formula detailed in ¶ 4.5.a.

III. DEFINITIONS

- 3.1. "Department" means the Washington State Department of Licensing, or any successor agency, and its officials, employees, and agents acting in their official capacity.
- 3.2. "Distributor" has the meaning given in RCW 82.36.010(15), as it now exists or as it may hereafter be amended.
- 3.3. "Essential governmental function" has the meaning given in 26 CFR 305.7871-1(d) (2000).
- 3.4. "Filling station" means a place of business operated for the purpose of delivering to the general public motor vehicle fuel or special fuel into the fuel tanks of motor vehicles.
- 3.5. "Motor vehicle" means every self-propelled vehicle designed for operation upon land and utilizing motor vehicle fuel or special fuel as the means of propulsion.
- 3.6. "Motor vehicle fuel" has the meaning given in RCW 82.36.010(20), as it now exists or as it may hereafter be amended.
- 3.7. "Reservation" means the Spokane Indian Reservation together with Tribal trust lands located outside the boundaries of the Reservation over which the Spokane Tribe exercises governmental authority.
- 3.8. "Special fuel" has the meaning given in RCW 82.38.020(23), as it now exists or as it may hereafter be amended.
- 3.9. "State" means the State of Washington.
- 3.10. "Tribe" means the Spokane Tribe of Indians.
- 3.11. "Tribal business" means a business that is owned and operated by the Tribe, or by an enrolled Tribal member.
- 3.12. "Tribal filling station" means a filling station that is owned and operated by the Tribe or by a Tribal business.
- 3.13. "Tribal member" means a person who is an enrolled member of the Spokane Tribe.
- 3.14. "Tribal enrollment" means the number of enrolled members of the Spokane Tribe as reported by the Spokane Tribal Enrollment Office.
- 3.15. "Tribal service area" means Spokane, Stevens, and Lincoln Counties.

IV. AGREEMENT

Intergovernmental Cooperation

- 4.1. The State of Washington and the Spokane Tribe shall cooperate to the extent legally permitted to ensure the enforcement of:
 - a. the Tribe's laws with respect to the taxation and regulation of Tribal members, non-Tribal filling stations, Tribal filling stations, and businesses that sell or deliver motor vehicle or special fuel within the Reservation, and Tribal trust lands where the Spokane Tribe exercises governmental authority;
 - b. the State's laws and rules respecting the imposition and collection of its fuel taxes from all persons except as provided under this Agreement; and
 - c. the terms of this Agreement.

Framework for Taxation and Regulation

- 4.2. The Department shall collect Washington State motor vehicle and special fuel taxes in accordance with chapters 82.36 and 82.38 RCW, as they now exist or as they hereafter may be amended.
- 4.3. The Tribe, by legislative enactment, shall require non-Tribal filling stations, Tribal filling stations, Tribal businesses, and Tribal members to purchase fuel subject to this Agreement only from persons who are properly licensed in Washington State to distribute fuel or to act as a distributor in accordance with RCW 82.36 and RCW 82.38.
- 4.4. Such Tribal enactment shall become effective within 6 months of the execution of this agreement, or unless otherwise agreed.
- 4.5. Upon compliance with the procedures described in this Agreement, the Tribe shall be entitled to a refund from the State of Washington Motor Vehicle Fund of:
 - a. The average per capita number of gallons consumed within the State of Washington, as determined by the Washington State Department of Transportation, multiplied by the number of enrolled Spokane Tribal members residing within the Tribal service area, as defined in ¶ 3.15. The resultant figure is then multiplied by the State fuel tax rate in effect to arrive at an annual dollar amount to be refunded to the Tribe.
 - b. The number of gallons claimed for refund for Tribal government vehicles for Federal fuel tax purposes on Internal Revenue Service (IRS) claim Form 4136. These gallons are then multiplied by the State fuel tax rate in effect to arrive at a dollar amount to be refunded to the Tribe. A copy of the IRS form 4136 shall accompany the refund request.
- 4.6. For the amount computed in ¶ 4.5.a., refunds shall be made in 1/12 increments (monthly), beginning the first day of the month following acceptance of this agreement.
- 4.7. For the amounts computed in ¶ 4.5.b., the Tribe shall receive refunds following acceptance of this agreement and upon application.
- 4.8. The Tribe, Tribal filling stations, Tribal businesses, Tribal members, or Spokane Tribal businesses also may be eligible for refunds under the provisions of RCW 82.36.280, RCW 82.36.285, RCW 82.36.290, RCW 82.36.300, RCW 82.36.305, RCW 82.38.080, RCW 82.38.180, and similar State fuel tax exemption statutes that later may be adopted, but only:
 - a. to the extent such statutes apply to the Tribe, Tribal filling stations, Tribal businesses, Tribal members, or Spokane Tribal business/enterprises, and to the particular use by them of motor vehicle and special fuels; and
 - b. to the extent a refund is not available to the Tribe with respect to the amount of fuel calculated as sold under ¶ 4.5 of this Agreement.
- 4.9. No refund of motor vehicle or special fuel taxes need be made by the State except as specifically set out in this Agreement.

Reports and Records

- 4.10 The Tribe shall maintain records as set forth in these paragraphs for a minimum of 3 years.
 - a. The Tribe shall maintain records indicating demographic data, including total Tribal enrollment, of Spokane Tribal members residing in the Tribal Service Area defined in ¶ 3.15.
 - b. The Tribe shall provide quarterly updates of population data for the Spokane Tribal members residing in the Tribal Service Area defined in ¶ 3.15, and the State shall utilize the quarterly updates for determining refunds to the Tribe under ¶ 4.5.

- c. Internal Revenue Service (IRS) Form 4136 and detail schedules reflecting the number of gallons claimed for refund for Federal fuel tax purposes.
- d. Detail schedules reflecting the number of gallons actually consumed by Tribal businesses conducting business on the Tribe's Reservation.
- e. Upon a minimum of 48 hours notice, the Tribe shall permit the State or its officers, agents, or designees to review the records described in ¶ 4.10 at the Tribe's regular business offices within the Reservation during the Tribe's regular business hours.

Dispute Resolution

- 4.11 Neither the Tribe, nor the State, nor officers acting on either government's behalf, may petition any court to enforce this Agreement unless:
 - a. the dispute resolution process described in ¶ 4.12. has been followed in good faith to completion without successful resolution; or unless
 - b. the other party fails to enter into the dispute resolution process or terminates the process before its completion.
- 4.12 Should a dispute arise between the Tribe and the State upon an issue of compliance with the Agreement by either government, or by their officers, employees or agents, the Tribe and State shall attempt to resolve the dispute through the following dispute resolution process:
 - a. Either party may invoke the dispute resolution process by notifying the other, in writing, of its intent to do so. The notice shall set out the issues in dispute and the notifying party's position on each issue.
 - b. The process shall include a face-to-face meeting between representatives of the 2 governments to attempt to resolve the dispute by negotiation.
 - (1) The meeting shall be convened within 30 days of the date of the written notice described in ¶ 4.12.a.
 - (2) The representatives of each government shall come to the meeting with the authority to settle the dispute.
 - c. After completion of the process in ¶ 4.12.a. and ¶ 4.12.b., either party may terminate this Agreement with 60 days written notice served upon the Chairman of the Tribe and the Director of the Department of Licensing.

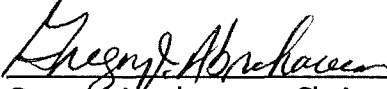
Implementation

- 4.13 The State and the Tribe, not less than one year after execution of this Agreement, shall confer, on an intergovernmental basis, to evaluate the effectiveness of the Agreement and to attempt to mutually agree upon solutions to any problems that may have arisen.
- 4.14 In any action filed by a third party challenging either the Spokane Tribe's or the State's authority to enter into or enforce this Agreement, the Tribe and the State each agree to support the Agreement and defend their authority to enter into and implement this Agreement.
- 4.15 The Tribe and the State shall confer regarding regulation of filling stations operating within the jurisdiction of the Tribe to ensure such regulation is consistent with the intent and spirit of this Agreement.
- 4.16 This Agreement addresses only the taxation and regulation of motor vehicle fuel and special fuel and shall not be construed as affecting any other area of Tribal or State taxation or regulation.

- 4.17 If the State negotiates a State-Tribal Fuel Tax Agreement with any other Tribe that contains more favorable terms than this Agreement, the existing State-Tribal Fuel Tax Agreement between the Spokane Tribe and the State may be modified to include those terms.
- 4.18 By executing this Agreement with the State, the Tribe is in no manner waiving its sovereign immunity.

DATED this 8th day of June, 2006.

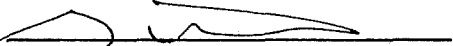
SPOKANE TRIBE

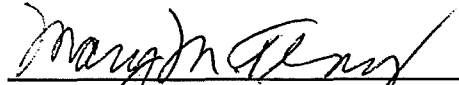

Gregory Abrahamson, Chairman
Spokane Tribe

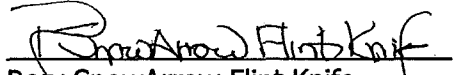
DEPARTMENT OF LICENSING


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