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Statement of Senator Chuck Grassley
Finance Committee Hearing, “Indian Governments and the Tax Code: Maximizing Tax
Incentives for Economic Development”
Tuesday, July 22, 2008

Mr. Chairman, I want to start out by thanking you for holding this hearing. It is important to understand the impact of tax incentives on the economic development of Indian country.

The Internal Revenue Code includes specific incentives to promote investment in Indian country, such as the Indian employment tax credit and accelerated depreciation for business property placed on Indian reservations.

The Indian employment tax credit and accelerated depreciation expired at the end of 2007. Just as with any tax incentive, certainty of tax treatment for future planning and investment is critical. Allowing these tax incentives to expire dilutes their effectiveness and further complicates business planning. This uncertainty in taxation is further exacerbated by an additional layer of taxation by tribal governments.

In addition to these tax incentives, tribal governments may issue tax-exempt bonds for governmental purposes. This provides Indian tribal governments a valuable option for lower-cost tax-exempt financing. It is important to look at how these rules operate to meet the needs of the tribal governments and to maximize the use of taxpayer dollars. I look forward to hearing testimony on this matter today.