

**LEGISLATIVE SUMMARY SHEET**

Tracking No. 0111-21

**DATE:** July 9, 2021

**TITLE OF RESOLUTION:** AN ACT RELATING TO THE RESOURCES AND DEVELOPMENT, LAW AND ORDER, BUDGET AND FINANCE, AND NAABIK'ÍYÁTI' COMMITTEES, AND THE NAVAJO NATION COUNCIL; AMENDING THE NAVAJO NATION SALES TAX AT 24 N.N.C. §601-§624

**PURPOSE:** The purpose of this legislation is to approve amendments to the Navajo Nation Sales Tax, as recommended by the Navajo Tax Commission.

5-DAY BILL HOLD PERIOD BRIDHORE  
Website Posting Time/Date July 9, 2021 4:27pm  
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Eligible for Action: July 15, 2021

Resources & Development Committee  
Thence  
Law & Order Committee  
Thence  
Budget & Finance Committee  
Thence  
Naabik'iyáti' Committee  
Thence  
Navajo Nation Council

PROPOSED NAVAJO NATION COUNCIL RESOLUTION  
24<sup>th</sup> NAVAJO NATION COUNCIL – Third Year, 2021

Introduced by:

  
(Prime Sponsor)  Co-Sponsor

Tracking No. 0111-21

AN ACT

RELATING TO THE RESOURCES AND DEVELOPMENT,  
LAW AND ORDER, BUDGET AND FINANCE, AND NAABIK'ÍYÁTI'  
COMMITTEES, AND THE NAVAJO NATION COUNCIL; AMENDING  
THE NAVAJO NATION SALES TAX AT 24 N.N.C. §601-§624

BE IT ENACTED:

SECTION 1. AUTHORITY

- A. The Resources and Development Committee is a standing committee of the Navajo Nation Council with the authority to review and make recommendations to the Navajo Nation Council regarding “taxation proposals affecting business or commercial activities, after consultation with the Navajo Tax Commission.” 2 N.N.C. §501(B)(4)(d).
- B. The Law and Order Committee is a standing committee of the Navajo Nation Council empowered to review and make recommendations to the Navajo Nation Council regarding any proposed amendments to the Navajo Nation Code. 2 N.N.C. §601(B)(14).
- C. The Budget and Finance Committee is a standing committee of the Navajo Nation Council authorized to provide oversight regarding the Navajo Nation’s budgeting, finance, taxes, and other related matters. 2 N.N.C. §300(C). The Budget and Finance Committee is also empowered to recommend to the Navajo Nation Council “resolutions designed to strengthen the fiscal and financial position of the Navajo Nation.” 2 N.N.C. §300(C)(3).

1 D. The Naabik'iyáti' Committee is a standing committee of the Navajo Nation Council; as  
2 such, the Committee reviews all proposed legislation requiring final action by the Navajo  
3 Nation Council. 2 N.N.C. §164(A)(9).

4 E. The Navajo Nation Council is the governing body of the Navajo Nation. 2 N.N.C. §102(A)  
5 As such, the Council must review, and give final approval of, all amendments to Navajo  
6 Nation laws. 2 N.N.C. §164(A).

## 7 8 **SECTION 2. FINDINGS**

9 A. The Navajo Tax Commission was established by the Navajo Nation Council to review  
10 and study all sources of wealth and income within the Navajo Nation, in order to find  
11 possible Navajo Nation government revenues from the taxation of those sources. 2 N.N.C.  
12 §3351 and §3353(A)(1).

13 B. The Navajo Nation Council enacted the Sales Tax in Resolution No. CO-84-01  
14 (subsequently amended by CJA-03-07, CO-38-09, CAP-20-14, CO-62-17, CJA-07-18,  
15 CO-74-18, and most recently amended by CJN-48-20). The Sales Tax is codified at 24  
16 N.N.C. §601-§624.

17 C. As explained by the Executive Director of the Office of the Navajo Tax Commission, the  
18 Commission has determined that, consistent with the Commission's statutory purpose  
19 under Title 2 of the Navajo Nation Code, certain amendments to the Sales Tax are  
20 necessary and appropriate at this time. **Exhibit A.**

21 D. Specifically, in Resolution No. TAX-20-238 (**Exhibit B** attached hereto) the Navajo Tax  
22 Commission recommends the following substantive changes to the Navajo Nation's Sales  
23 Tax (as shown in the **Sub-Exhibit B-1** attached hereto):

- 24 1. an increase of the current maximum Sales Tax rate to 10% (an increase from a maximum  
25 rate of 6%);
- 26 2. the insertion of new definitions of "Agricultural Products" and "Agricultural Producers"  
27 and "Traditional" for the purpose of exempting the sales of Agricultural Products by  
28 Agricultural Producers who are engaged in Traditional Navajo agricultural, farming,  
29 and livestock activities conducted within the Navajo Nation (but this exemption would  
30 not apply to commercial Agricultural Producers);

3. removing from the definition of “Gross Receipts” the market value of employee benefits such as free or reduced cost meals, thereby exempting these from the Sales Tax;
  4. removing from the definition of “Gross Receipts” those dollar amounts received as reimbursements for federal, state, or Navajo Nation taxes so long as proof is provided that the appropriate tax was already collected on the original expenditure, thereby eliminating double taxation of reimbursements;
  5. including in the Sales Tax compressed or liquefied natural gas, kerosene, liquefied petroleum gas, butane, propane, non-fuel stove oil, and aircraft fuel;
  6. narrowing of the definition of “Sale for Resale” in order to tax the selling of services, the sale of items for consumption by the buyer, and the sale of items that will be further processed, manufactured, or used for further commercial or industrial purposes;
  7. related to item no. 7 above, the Commission recommends the insertion of a new definition of “Upstream Seller” for the purpose of clarifying what type of “Sale for Resale” is not taxed; *i.e.*, sales by Upstream Sellers shall not be taxed so long as certain requirements are met, as set forth in the revised definition of “Sale for Resale;”
  8. making the collection of gross receipts from the sale of tobacco products subject to the Sales Tax;
  9. narrowing the tax exemption for sales from coin-operated vending machines so as to exclude car washes and laundromats, thereby taxing those businesses;
  10. clarifying that persons may take a credit in the amount of any Sales Taxes paid to the Kayenta Township and the To’Nanees’Dizi’/Tuba City Chapter;
  11. requiring Sale Tax filers to report their gross receipts on a cash basis rather than using an accrual basis;
  12. providing that no Sales Tax return need be filed by those who are exempt, as determined by ONTC, because the Taxpayer has paid taxes to the Kayenta Township or the To’Nanees’Dizi’/Tuba City Chapter for sales located within the territorial boundaries of the Navajo Nation;
  13. changing the time period for preserving Sales Tax records from 4 years to 7 years.
- E. Notably, the proposed amendment to 24 N.N.C. §605(A) does not amend the Sales Tax as it applies to gross receipts collected from the sales of fresh fruits, fresh vegetables, filtered

1 bottled water, and nuts, nut butters, or seeds. The amendment merely moves the exemption  
2 for these sales to the appropriate section pertaining to exemptions, at 24 N.N.C.  
3 §609(C)(18).

4 F. The Navajo Nation Council has reviewed the proposed changes to the Sales Tax, as  
5 described in Sections 2(D)1-13 above, and finds that such amendments are in the best  
6 interest of the Navajo Nation because such changes will provide for the collection of  
7 additional needed revenue for the Navajo Nation to pay for governmental services.  
8

### 9 **SECTION 3. AMENDING THE SALES TAX (24 N.N.C. §601-§624)**

10 The Navajo Nation Council hereby approves and adopts the amendments to the Sales Tax (at  
11 24 N.N.C. §601-§624) as recommended by the Navajo Tax Commission in Resolution No.  
12 TAX-20-238 (and as shown in the redlined document attached hereto as **Sub-Exhibit B-1**) as  
13 follows:  
14 -----

#### 15 **Title 24 Navajo Nation Code** 16 **Chapter 6 Sales Tax** 17

#### 18 **§601. SHORT TITLE**

19 The tax imposed by this Chapter shall be called the “Sales Tax.”  
20

#### 21 **§602. PURPOSE**

22 The Navajo Nation Council hereby enacts this tax for the privilege of engaging in business activity  
23 within the Navajo Nation, and for purposes of defraying necessary governmental expenses at the  
24 national and local level incurred in providing for the public welfare.  
25

#### 26 **§603. TAX IMPOSED**

27 A tax is hereby imposed on the gross receipts of a person. The tax due for a period is determined  
28 by first calculating applicable gross receipts for a period, and then multiplying those gross receipts  
29 by the applicable tax rate.  
30

1     **§604. LEGAL INCIDENCE AND RESPONSIBILITY FOR PAYMENT**

2     The person liable for the payment of the tax imposed by this Chapter is the person receiving the  
3     gross receipts from a sale.

4  
5     **§605. RATE OF TAX**

6     A. The tax imposed by this Chapter is imposed at a rate of not less than two percent (2%), nor  
7     more than ~~six~~ ten percent (~~6~~10%), which shall be specifically established by regulations  
8     promulgated by the Navajo Tax Commission. ~~This tax shall not be imposed on the purchase~~  
9     ~~of fresh fruits, fresh vegetables and filtered bottled water including nuts, nut butters, and seeds.~~  
10    Until another rate is established, the rate shall be ~~five~~ six percent (~~5~~6%) of the applicable gross  
11    receipts from all retail sales (~~.05~~06 x applicable gross receipts).

12    B. A majority of the registered voters of any governance-certified chapter may enact an  
13    ordinance imposing an additional tax rate in addition to the rate approved by the Navajo Tax  
14    Commission in accordance with paragraph A, above. This additional rate may be from one-  
15    quarter of one percent (.25%) to four percent (4%) and shall be set forth in the ordinance.

16  
17    **§606. ADMINISTRATION**

18    All provisions of the Uniform Tax Administration Statute apply to this Chapter.

19  
20    **§607. DEFINITIONS**

21    Subject to additional definitions (if any) contained in the subsequent sections of this Chapter, and  
22    unless the context otherwise requires, in this Chapter:

23    A. “Agricultural Producers” means Persons who are farmers, ranchers, growers, and producers,  
24    on agricultural lands within the Navajo Nation, who grow, harvest, raise, or prepare for  
25    market, and sell their own Agricultural Products within the Navajo Nation.

26    B. “Agricultural Products” means crops such as vegetables, fruits, grains, grasses, roots, and  
27    legumes, that are grown from cultivating the soil and harvested for use as food for humans  
28    and animals, as fiber for clothing and other products, or for production of fuel; livestock such  
29    as cattle, sheep, goats, buffalo, hogs, and poultry, raised for purposes of production of meat,  
30    dairy, eggs, and other food products for human consumption, or for production of wool, skins,

and pelts for clothing and other purposes; livestock such as horses and mules for work on a ranch or farm; farm-raised fish; bees and honey; trees grown for production of fruit, lumber, fuel, and fiber; flowers cultivated for sale; and other similar natural plant or animal products.

AC. "Consideration" means any money or other pecuniary benefit, goods, personal or real property, services, or any combination thereof, which accrues as a right, profit, advantage, or benefit to a person, or which reflects a payment, detriment, loss, or responsibility of a person.

BD. "Construction activity" means any building, altering, repairing, installing, or demolishing in the ordinary course of business, whether a project is completed or not, any:

1. Road, highway, bridge, parking area, fence, livestock guard, gate, or related structure;
2. Building, stadium, or other structure;
3. Airport, railway, or similar transportation facility;
4. Park, trail, athletic field, golf course, or similar facility;
5. Dam, reservoir, canal, ditch, culvert, or similar facility;
6. Sewerage or water treatment facility, power plant, pumping station, natural gas compressing station, gas processing plant and gathering lines, coal gasification plant, refinery, distillery, blending, or similar facility;
7. Sewerage, water, coal, coal slurry, gas, or other pipeline;
8. Transmission line;
9. Radio, television, microwave, telephone, or other similar tower;
10. Water, oil, gasoline, fuel or other storage tank;
11. Shaft, tunnel, or other mining appurtenance;
12. Microwave station, or similar facility;
13. Leveling, clearing, or other preparation of land;
14. Excavating of earth;
15. Drilling of wells of any type, including seismograph shot holes or core drilling; or
16. Any similar work or activity.

CE. "Employee" means a person in the service of another person under any contract of hire, express or implied, oral or written, where the employer has the power or right to control and direct the employee in the material details of how the work is to be performed.

1     ~~D~~F. “Enterprise” means any non-corporate business entity created by action of the Navajo Nation  
2     Council.

3     ~~E~~G. “Fair market value” means the amount of consideration at which personal or real property or  
4     services would change hands via an arms-length transaction between a willing buyer and a  
5     willing seller, or a willing lessor and a willing lessee, neither of whom is under any  
6     compulsion to act.

7     “Fair market value” is to be determined on the basis of consideration in comparable sales,  
8     leasing, or rental transactions. If such information is not available, the Office of the Navajo  
9     Tax Commission may estimate the fair market value of the subject of a transaction according  
10    to procedures established by regulations.

11    ~~F~~H. “Fresh fruits and fresh vegetables” means produce in fresh form generally considered as  
12    perishable fruits and vegetables, whether or not packed in ice or held in common or cold  
13    storage.

14    ~~G~~I. “General contract” means any legal duty, obligation, or responsibility, express or implied,  
15    unilateral or bilateral, written or unwritten, which is entered into by a general contractor.

16    ~~H~~J. “General contractor” means a person primarily responsible for the performance of a  
17    construction project pursuant to a contract.

18    A “General contractor” may enter into subcontracts, but remains primarily responsible for the  
19    management, planning, supervision, coordination, and performance of the contract.

20    ~~I~~K. “Gross receipts” means the total amount of money, credit, or any other pecuniary benefit or  
21    advantage, plus the fair market value of any other consideration, which is actually received  
22    during any period by any person from the sale or leasing of real or personal property of any  
23    kind, the sale of services of any kind, and any other productive activity of any kind, whether  
24    for profit or not, conducted wholly or partially within the Navajo Nation. “Gross receipts”  
25    does not include the salary, ~~or wages, or the market value of employee benefits such as free~~  
26    or reduced cost meals, of an individual engaged as an employee.

27    “Gross receipts” includes those amounts received for any and all personal or real property  
28    which is an integral, but not necessarily a significant or primary, component of the service(s)  
29    rendered, regardless of the date, time, manner, and location of sale, delivery, or use of such  
30    personal or real property.



1 “Gross receipts” includes those amounts received for any and all services which are an  
2 integral, but not necessarily a significant or primary, component of the sale or delivery of  
3 personal or real property, such as those amounts received as payment or reimbursement for  
4 costs of putting personal or real property into a finished and marketable form, payment for  
5 delivery and set-up, and payment for warranty or service contracts, regardless of the date,  
6 time, manner, or location of performance of such services(s).

7 “Gross receipts” does not include amounts received as reimbursement for federal, state, or  
8 Navajo Nation taxes when the seller/taxpayer collects tax from buyer and taxpayer/seller  
9 provides proof it has paid the tax to the above-named taxing jurisdictions.

10 “Gross receipts” are recognized when seller receives the payment rather than when goods are  
11 delivered or services are received.

12 JL. “Manufacturing activity” means combining or processing components or materials into a  
13 finished product, whether manually or mechanically, for the purpose of resale in the ordinary  
14 course of business, but does not include construction activity.

15 JM. “Nut Butters” means ground nuts blended to make a paste or spread.

16 LN. “Nuts” means a fruit consisting of a hard or tough shell around an edible kernel.

17 MQ. “Navajo Nation” means all areas within the territorial jurisdiction of the Navajo Nation  
18 government.

19 NP. “Performance” means the partial or complete fulfillment or accomplishment of a promise,  
20 contract, or other obligation according to the terms of such promise or contract.

21 OQ. “Period” means a calendar quarter.

22 PR. “Personal property” means any tangible property which may be seen, touched, weighed or  
23 measured, or is in any manner perceptible to the human senses, including, but not limited to,  
24 electricity, compressed or liquefied natural gas, kerosene, liquefied petroleum gas, butane,  
25 propane, non-fuel stove oil, fuel products used for the propulsion of aircraft, goods or  
26 merchandise of any kind, goods purchased for consumption or other use, goods purchased for  
27 incorporation into other personal or real property, and goods purchased for use in the  
28 performance of any service, whether or not such goods are consumable, movable, separable,  
29 affixed to, or incorporated into, other personal or real property, and whether or not such goods  
30 retain their original character upon final sale.

1 “Personal property” also means any intangible property which cannot be physically perceived  
2 by the human senses, such as patents, trademarks, copyrights, franchises, licenses, knowledge,  
3 information, ideas, advice, and other intangible items of value or legal rights of any kind.

4 QS. “Sale” means any transaction, including a lease or rental, for consideration of any kind that  
5 results in the transfer of ownership and/or possession, delivery, use, or enjoyment of personal  
6 or real property, or the performance of any service.

7 A “Sale” includes circumstances where the title to personal or real property is retained as  
8 security for payment, and includes circumstances where no actual physical transfer of  
9 personal or real property or services occurs.

10 RT. “Sale for resale” means a sales transaction of tangible personal property made to a buyer for  
11 purposes of being resold within the Navajo Nation by the buyer in the ordinary course of  
12 business any further sale, processing, manufacturing, or other commercial or industrial  
13 purposes, as distinguished from a retail sale.

14 “Sale for resale” does not include the sale of services.

15 “Sale for resale” does not include the sale of tangible personal property for consumption by  
16 the buyer, or to a buyer who is the end-use consumer or to the agent of the end-use consumer.

17 “Sale for resale” does not include sale of tangible personal property for purposes of further  
18 processing, manufacturing, or other commercial or industrial purposes.

19 A transaction by an upstream seller shall only be considered a “sale for resale” if all of the  
20 following requirements are met: (1) the last seller for the last sale occurring within the Navajo  
21 Nation, or another seller in the supply chain, has paid the applicable Sales Tax to the Navajo  
22 Nation on a sale of the same tangible personal property; (2) the seller who paid the Sales Tax  
23 has obtained from the Office of the Navajo Tax Commission a valid Navajo Tax Exemption  
24 Certificate, and has provided the Certificate to the upstream seller; (3) the upstream seller filed  
25 a Return with the Office of the Navajo Tax Commission and attached a copy of the valid  
26 Navajo Tax Exemption Certificate pertaining to the sale in question; and (4) compliance with  
27 other requirements related to “sale for resale” set forth in the Sales Tax Regulations.

28 RU. “Seeds” means the grains or ripened ovules of fruits, vegetables, or plants such as sunflower  
29 seeds, flax seeds, pumpkin seeds, and mixed nuts without sugared candies.

1 ~~FV~~. "Services" means manual, mechanical, or intellectual labor performed, and includes other  
2 business activity that does not have physical characteristics.

3 ~~UW~~. "Subcontract" means any legal duty, obligation, or responsibility, express ~~or implied~~,  
4 unilateral or bilateral, written ~~or unwritten~~ agreement, between a general contractor and a  
5 subcontractor.

6 ~~VX~~. "Subcontractor" means a person who takes from the general contractor a specific part of  
7 the work undertaken by the general contractor.

8 Y. "Traditional" means Navajo culture, laws, philosophies, values, customs, practices, and  
9 methods, that have been passed down from one generation to the next either orally or in  
10 writing.

11 Z. "Upstream Seller" means a Person who sells tangible personal property to a buyer other than  
12 the end-use consumer, where the sale occurred within the Navajo Nation, and such buyer later  
13 resells the same property within the Navajo Nation.

14 ~~WAA~~. "Water" means drinking water that has no added sugar or other artificial sweeteners. It  
15 includes artisan, fluoridated, mineral, purified, sparkling, spring, or sterile (distilled) water.  
16

## 17 **§608. NAVAJO NATION GOVERNMENT**

18 A. Sales by corporations owned by the Navajo Nation government or any political sub-division  
19 thereof shall be fully subject to the tax imposed by this Chapter.

20 B. Sales by the government of the Navajo Nation, or political subdivisions or enterprises thereof,  
21 shall be subject to the tax imposed by this Chapter according to the following schedule:

22 1. For all periods during calendar years 2001 and 2002, the Navajo Nation government,  
23 political subdivisions, and enterprises shall not be subject to the tax;

24 2. For all periods during calendar year 2003, the Navajo Nation government, political  
25 subdivisions, and enterprises shall be subject to the tax at a rate equal to twenty- five percent  
26 (25%) of the rate imposed under § 605 of this Chapter;

27 3. For all periods during calendar year 2004, the Navajo Nation government, political  
28 subdivisions, and enterprises shall be subject to the tax at a rate equal to fifty percent (50%)  
29 of the rate imposed under § 605 of this Chapter;

30 4. For all periods during calendar year 2005, the Navajo Nation government, political

subdivisions, and enterprises shall be subject to the tax at a rate equal to seventy- five percent (75%) of the rate imposed under § 605 of this Chapter;

5. For all periods during calendar year 2006 and all periods thereafter, the Navajo Nation government, political subdivisions, and enterprises shall be subject to the tax at a rate equal to one hundred percent (100%) of the rate imposed under § 605 of this Chapter.

C. In cases where a person is partially owned by the Navajo Nation government or any of its political subdivisions or enterprises, gross receipts shall be prorated if necessary.

### **§609. EXEMPTIONS AND EXCLUSIONS**

A. Nothing in this Chapter shall be construed as imposing a tax on the gross receipts of a subcontractor, provided that:

1. The general contractor with whom the subcontractor has contracted has reported and paid all taxes due under this Chapter, or has assumed liability for payment of all taxes due under this Chapter by signing and issuing a certificate of exemption to the subcontractor; and,
2. The subcontractor must obtain from the general contractor a certificate of exemption issued to the general contractor by the Office of the Navajo Tax Commission. This certificate must be signed by the general contractor, and must indicate that the general contractor has reported and paid all taxes due under this Chapter, or has assumed liability for payment of all taxes due under this Chapter.
3. The Commission may by form or regulation provide for the proper issuance and filing of the certificate of exemption.

B. In calculating applicable gross receipts, a person may exclude those gross receipts on which any of the following Navajo Nation taxes have been paid:

1. Navajo Nation Oil and Gas Severance Tax; or
- ~~2. Navajo Tobacco Products Tax; or~~
- ~~3. Navajo Nation Fuel Excise Tax.~~

C. The tax imposed by this Chapter does not apply to gross receipts generated directly by the following:

1. Sales for resale;
2. Sales of Agricultural Products related to by Agricultural Producers engaged in Traditional

1        Navajo agricultural, farming, and livestock activities conducted within the Navajo  
2        Nation. This exemption shall not apply to sales by commercial Agricultural Producers;

- 3        3. Sales, other than sales from an unrelated trade or business as defined in §§ 511 – 513 of  
4        the Internal Revenue Code, by any person operating exclusively for non- profit or  
5        charitable purposes, and recognized as such pursuant to § 501(C)(3) and 501(C)(19) of the  
6        United States Internal Revenue Code at the time of sale;
- 7        4. Sales by facilities engaged in childcare, foster care or adoption placement, or battered  
8        families and homeless shelters;
- 9        5. Sales of stocks, private or government-issued bonds, mutual funds, or other investments,  
10       including income received as dividends or interest;
- 11       6. Sales by itinerant salespersons;
- 12       7. Occasional sales by persons who are not regularly engaged in the business of selling  
13       personal or real property or services;
- 14       8. Sales by educational institutions, including primary and secondary schools, colleges,  
15       vocational, and job training programs;
- 16       9. Sales by hospitals and health-care organizations or facilities, such as nursing care  
17       institutions, residential care and mental health facilities, senior citizen care facilities or  
18       retirement homes, kidney dialysis facilities and blood banks, or other facilities which  
19       provide medical care and services;
- 20       10. Sales from coin-operated vending machines. This exemption shall not apply to coin-  
21       operated car washes and laundromats of any type;
- 22       11. Sales related to traditional Native American ceremonies or services;
- 23       12. Sales of prescription medicines, prosthetic devices, or other medical devices, including  
24       medical oxygen, monitoring devices, dentures, hearing aids, crutches, insulin syringes,  
25       blood sugar monitoring strips or devices, prescription eyeglasses and contact lenses, or any  
26       durable medical equipment primarily and customarily used for medical purposes and not  
27       useful in the absence of illness, injury, or other medical condition;
- 28       13. Sales related to funerals and human burials;
- 29       14. Sales paid for by coupons issued by the United States Department of Agriculture under the  
30       Food Stamp Act of 1977 (P.L. 95-113);

1 15. Sales paid for by vouchers issued under § 17 of the Child Nutrition Act (P.L. 95- 627 and  
2 P.L. 99-669);

3 16. Sales of newspapers or other daily publications; or

4 17. Sales of mobile homes, motor homes, motor vehicles, tractors, and hauling trailers for  
5 private use, possession, or enjoyment, provided that such items are not resold or used in  
6 any business activity or service.

7 18. Sales of fresh fruits, fresh vegetables, filtered bottled water, nuts, nut butters, and seeds.

8 D. Nothing in this Chapter shall be construed as imposing directly upon the United States a tax  
9 which is prohibited by federal law.

10 E. Through December 31, 2005, a person may exclude from gross receipts any amount received  
11 from a transaction on which the Hotel Occupancy Tax has been paid.

12  
13 **§610. CREDITS**

14 A person may take a credit against the tax imposed by this Chapter for taxes paid pursuant to any  
15 nondiscriminatory ~~excise sales or gross receipts~~ tax imposed by Kayenta Township and To'  
16 Nanees' Dizi' / Tuba City Chapter ~~any duly established township or local government subunit,~~  
17 provided that revenues from such excise tax are utilized to provide essential governmental  
18 services.

19  
20 **§611. RESERVED**

21  
22 **§612. FILING OF RETURN**

23 A. Each person must file a return indicating all sales from applicable gross receipts, which shall  
24 be reported on a cash basis as opposed to on an accrual basis, and the tax due under this  
25 Chapter for each period by the fifteenth day of the second month after the end of each calendar  
26 quarter. Returns are due on May 15, August 15, November 15, and February 15 of each  
27 calendar year.

28 B. The Commission may by form or regulation require that other information, records or relevant  
29 documents which it deems necessary for the proper and efficient administration of this  
30 Chapter be included with the return, and that the return be signed by a specified person.

1 C. No return need be filed by any person who is exempt under § 609, provided that the Office of  
2 the Navajo Tax Commission may require such person to file the information necessary to  
3 establish its exempt status.

4 D. No return need be filed by any person who is claiming a credit under § 610, provided that the  
5 Office of the Navajo Tax Commission may require such person to file the information  
6 necessary to establish its eligibility for the credit.

7 E. In the case of the exemption provided for in § 609(A), the filing by a person of a proper  
8 Certificate of Exemption with the Office of the Navajo Tax Commission shall constitute a  
9 claim for exemption.

#### 11 **§613. PAYMENT OF TAX**

12 Payment in full of the taxes owed for a particular period is due on the same date that the completed  
13 return for that same period is due. The Office of the Navajo Tax Commission, however, may  
14 require payment of any taxes due on a monthly basis.

#### 16 **§614. RECORDKEEPING**

17 A. Each person shall keep all records which pertain to or relate in any manner to all sales from  
18 any business activity engaged in at any time by such person. Such records shall be maintained  
19 separately for each reporting period during which a person is engaged in business activity.

20 B. Records required to be kept must be preserved for seven (7)~~four~~ years beyond the end of the  
21 period to which the records relate.

#### 23 **§615. RESERVED**

#### 24 **§616. RESERVED**

#### 25 **§617. RESERVED**

#### 26 **§618. RESERVED**

#### 27 **§619. RESERVED**

#### 29 **§620. ALLOCATION OF REVENUE**

30 After allocation to permanent or special revenue funds as required by Navajo Nation law, and

1 allocation to the Tax Administration Suspense Fund as required by the fiscal policy adopted by  
2 the Navajo Tax Commission for such Fund, the net revenue from this Chapter shall be disbursed  
3 as follows:

4 A. To the extent that any amount is collected pursuant to Section 605(B) above, that amount shall  
5 be transmitted by the Office of the Navajo Tax Commission to the chapter in a timely manner  
6 to be expended in accordance with the ordinance referred to in Section 605(B), above.

7 B. Except as otherwise provided in subsections (C) or (D), fifty percent (50%) of the revenue  
8 collected shall be deposited into the General Fund of the Navajo Nation, sixteen point six,  
9 six... percent (16.6666%) of the revenue collected shall be deposited into the Judicial/Public  
10 Safety Facilities Fund, eight point three, three...percent (8.3333%) of the revenue collected  
11 shall be deposited to the Scholarship Fund, and eight point three, three...percent (8.3333%)  
12 of the revenue shall be deposited to the Economic Development Fund to be appropriated  
13 pursuant to a fund management plan approved by the Budget and Finance Committee of the  
14 Navajo Nation Council, and Council, and the remaining sixteen point six, six...percent  
15 (16.6666%) of the ~~reserve~~ revenue shall be deposited to the Fire and Rescue Services Fund to  
16 be appropriated pursuant to a fund management plan approved by the Budget and Finance  
17 Committee of the Navajo Nation Council.

18 C. Fifty percent (50%) of the revenue collected from retail establishments located in the Navajo  
19 Nation shall be deposited into a trust fund to be appropriated pursuant to a plan of operation  
20 developed by the Office of Navajo Government Development and approved by the Budget  
21 and Finance Committee of the Navajo Nation Council; sixteen point six, six...percent  
22 (16.6666%) of the revenue collected shall be deposited into the Judicial/Public Safety  
23 Facilities Fund to be appropriated pursuant to a fund management plan approved by the  
24 Budget and Finance Committee of the Navajo Nation Council; eight point three, three...  
25 percent (8.3333%) of the revenue collected shall be deposited into the Scholarship Fund to be  
26 appropriated pursuant to a fund management plan approved by the Budget and Finance  
27 Committee of the Navajo Nation Council and eight point three, three...percent (8.3333%) of  
28 the revenue collected shall be deposited into the Economic Development Fund to be  
29 appropriated pursuant to a fund management plan approved by the Budget and Finance  
30 Committee of the Navajo Nation Council, and the remaining sixteen point six, six...percent



1 (16.6666%) of the ~~reserve~~ revenue shall be deposited to the Fire and Rescue Services Fund to  
2 be appropriated pursuant to a fund management plan approved by the Budget and Finance  
3 Committee of the Navajo Nation Council.

4 D. Sixty-percent (60%) of the revenue collected from the Sales Tax revenue associated with  
5 construction of public water and wastewater systems shall be deposited into the Navajo Tribal  
6 Utility Authority Emergency Reserve Fund and the Navajo Tribal Utility Authority  
7 Replacement Reserve Fund in accordance with a fund management plan approved by the  
8 Budget and Finance Committee of the Navajo Nation Council. Monies from those funds will  
9 be expended in accordance with the fund management plan. Twenty percent (20%) of the  
10 revenue collected shall be deposited into the Judicial/Public Safety Facilities Fund to be  
11 appropriated pursuant to a fund management plan approved by the Budget and Finance  
12 Committee of the Navajo Nation Council; ten percent (10%) of the revenue collected shall be  
13 deposited into the Scholarship Fund to be appropriated pursuant to a fund management plan  
14 approved by the Budget and Finance Committee of the Navajo Nation Council; and ten  
15 percent (10%) of the revenue collected shall be deposited into the Economic Development  
16 Fund to be appropriated pursuant to a fund management plan approved by the Budget and  
17 Finance Committee of the Navajo Nation Council.

#### 18 19 **§621. NO CONFLICT WITH LOCAL GOVERNANCE ACT**

20 The provisions of this Chapter and corresponding regulations shall not be construed inconsistently  
21 with the Local Governance Act, 26 N.N.C. §§1 – 2008.

#### 22 23 **§622. SEVERABILITY**

24 If any provision of this Chapter, as amended, or its application to any person or circumstance, is  
25 held invalid by a final judgment of a court of competent jurisdiction, the invalidity shall not affect  
26 other provisions or applications of the Chapter which can be given effect without the invalid  
27 provision or application, and to this end, the provisions of this Chapter are severable.

#### 28 29 **§623. EFFECTIVE DATE**

30 This Chapter shall become effective ~~January 1, 2013~~ in accordance with 2 N.N.C. § 221(B).

1 **§624. REPEALS**

2 All laws or parts of laws (or attachments thereto) which are inconsistent with the provisions of  
3 this Chapter are hereby repealed, including, without limitation, any law purporting to waive any  
4 right of taxation by the Navajo Nation.

5 -----

6 The Office of the Navajo Tax Commission is authorized to prepare a final, clean version of the  
7 Sales Tax as amended herein, with no stricken or underlined wording shown.

8  
9 **SECTION 4. EFFECTIVE DATE**

10 This Act shall be effective upon its approval pursuant to 2 N.N.C. §221(B).

11  
12 **SECTION 5. CODIFICATION**

13 The provisions of this Act that amend the Navajo Nation Code shall be codified by the Office  
14 of Legislative Counsel. The Office of Legislative Counsel shall incorporate such amended  
15 provisions in the next codification of the Navajo Nation Code.

16  
17 **SECTION 6. SAVINGS CLAUSE**

18 If any provision of this Act is determined invalid by the Supreme Court of the Navajo Nation,  
19 or by any District Court of the Navajo Nation without appeal to the Navajo Nation Supreme  
20 Court, the portions of this Act not determined invalid shall remain as the law of the Navajo  
21 Nation.

# Exhibit A

# THE NAVAJO NATION

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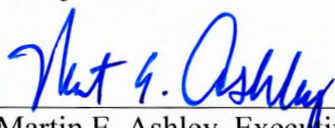
JONATHAN NEZ | **PRESIDENT**

MYRON LIZER | **VICE PRESIDENT**



## MEMORANDUM

TO: Honorable Jaime Henio, Chairman  
Budget and Finance Committee  
Navajo Nation Council

FROM:   
Martin E. Ashley, Executive Director  
Office of the Navajo Tax Commission

DATE: May 5, 2021

SUBJECT: Amendment to the Sales Tax Statute recommended by Navajo Tax  
Commission resolution TAX-20-238

---

The Office of the Navajo Tax Commission (ONTC) previously met and discussed the recommendation of the Navajo Tax Commission resolution TAX-20-20 to amend the Sales Tax Statute and to sponsor the amendment to the Sales Tax Statute.

One of the main purpose of the amendment is increase the range of the Sales Tax that is currently 2% to 6% and changing to 2% to 10% (increase range to 10%). Other amendments are to the Definitions and providing clarification regarding agriculture for which the Exemptions and Exclusions is clarifying this only applies Traditional Navajo agricultural farming and livestock activities and not for commercial agricultural activities. There are also other clarifications to assist ONTC in administering the Sales Tax.

Should there be any questions, please call me at tribal extension 6992 or email at [mashley@navajo-nsn.gov](mailto:mashley@navajo-nsn.gov).

Attachment: Navajo Tax Commission resolution TAX-20-238

# Exhibit B



TAX-20-238

**RESOLUTION OF THE NAVAJO TAX COMMISSION**

**RECOMMENDING TO THE NAVAJO NATION COUNCIL THE APPROVAL OF  
AMENDMENTS TO THE SALES TAX STATUTE, 24 N.N.C. §§ 601 *ET SEQ.***

**WHEREAS:**

1. The Navajo Tax Commission is established as a part of the Executive Branch of the Navajo Nation government, and is empowered to review and study all sources of wealth and income within the Navajo Nation and the possible revenues from the taxation of those sources, in order to develop an appropriate, comprehensive system of taxation. 2 N.N.C. §§ 3351 and 3353(A)(1); and
2. The Navajo Nation Council enacted the Sales Tax Statute pursuant to Resolution No. CO-84-01, as amended by CJA-03-07, CO-38-09, CAP-20-14, CO-62-17, CJA-07-18, and CO-74-18, and codified at 24 N.N.C. §§ 601 *et seq.*; and
3. The Navajo Tax Commission now proposes amendments to the Sales Tax Statute, in underline-strikeout format, attached as Exhibit "1", and recommends that the Navajo Nation Council approve and adopt the proposed amendments.

**NOW THEREFORE BE IT RESOLVED THAT:**

1. The Navajo Tax Commission hereby proposes amendments to 24 N.N.C. §§ 601 *et seq.* of the Sales Tax Statute, attached as Exhibit "1".
2. The Navajo Tax Commission recommends that the Navajo Nation Council approve the amendments to the Sales Tax Statute, attached as Exhibit "1".

**CERTIFICATION**

I hereby certify that the foregoing resolution was duly considered by the Navajo Tax Commission at a duly called meeting held in Window Rock, Navajo Nation (Arizona) at which a quorum was present and that the same was passed by a vote of 4 in favor and 0 opposed, with 0 abstaining, this 31st day of March, 2020.

  
Mark Graham, Chairperson  
Navajo Tax Commission

Motion: Loretta Largo  
Second: Shana Barehand

xc. NTC Resolution File  
ONTC Resolution File  
Navajo Nation Department of Justice  
Navajo Nation Office of Legislative Counsel  
The 24<sup>th</sup> Navajo Nation Council

# **Sub-Exhibit B-1**



EXHIBIT 1 to TAX-20-238

**SALES TAX**

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**601. SHORT TITLE**

The tax imposed by this Chapter shall be called the "Sales Tax."

**602. PURPOSE**

The Navajo Nation Council hereby enacts this tax for the privilege of engaging in business activity within the Navajo Nation, and for purposes of defraying necessary governmental expenses at the national and local level incurred in providing for the public welfare.

**603. TAX IMPOSED**

A tax is hereby imposed on the gross receipts of a person. The tax due for a period is determined by first calculating applicable gross receipts for a period, and then multiplying those gross receipts by the applicable tax rate.

**604. LEGAL INCIDENCE AND RESPONSIBILITY FOR PAYMENT**

The person liable for the payment of the tax imposed by this Chapter is the person receiving the gross receipts from a sale.

**605. RATE OF TAX**

- A. The tax imposed by this Chapter is imposed at a rate of not less than two percent (2%), nor more than ~~six ten~~ percent (~~610~~%), which shall be specifically established by regulations promulgated by the Navajo Tax Commission. ~~This tax shall not be imposed on the purchase of fresh fruits, fresh vegetables and filtered bottled water including nuts, nut butters, and seeds.~~ Until another rate is established, the rate shall be ~~fivesix~~ percent (~~56~~%) of the applicable gross receipts from all retail sales (~~.0506~~ x applicable gross receipts).
- B. A majority of the registered voters of any governance-certified chapter may enact an ordinance imposing an additional tax rate in addition to the rate approved by the Navajo Tax Commission in accordance with paragraph A, above. This additional rate may be from one-quarter of one percent (.25%) to four percent (4%) and shall be set forth in the ordinance.

**606. ADMINISTRATION**

All provisions of the Uniform Tax Administration Statute apply to this Chapter.

**607. DEFINITIONS**

Subject to additional definitions (if any) contained in the subsequent sections of this Chapter, and unless the context otherwise requires, in this Chapter:

- A. "Agricultural Producers" means Persons who are farmers, ranchers, growers, and producers, on agricultural lands within the Navajo Nation, who grow, harvest, raise, or prepare for market, and sell their own Agricultural Products within the Navajo Nation.
- B. "Agricultural Products" means crops such as vegetables, fruits, grains, grasses, roots, and legumes, that are grown from cultivating the soil and harvested for use as food for humans and animals, as fiber for clothing and other products, or for production of fuel; livestock such as cattle, sheep, goats, buffalo, hogs, and poultry, raised for purposes of production of meat, dairy, eggs, and other food products for human consumption, or for production of wool, skins, and pelts for clothing and other purposes; livestock such as horses and mules for work on a ranch or farm; farm-raised fish; bees and honey; trees grown for production of fruit, lumber, fuel, and fiber; flowers cultivated for sale; and other similar natural plant or animal products.
- AC. "Consideration" means any money or other pecuniary benefit, goods, personal or real property, services, or any combination thereof, which accrues as a right, profit, advantage, or benefit to a person, or which reflects a payment, detriment, loss, or responsibility of a person.
- BD. "Construction activity" means any building, altering, repairing, installing, or demolishing in the ordinary course of business, whether a project is completed or not, any:
  1. Road, highway, bridge, parking area, fence, livestock guard, gate, or related structure;
  2. Building, stadium, or other structure;

3. Airport, railway, or similar transportation facility;
4. Park, trail, athletic field, golf course, or similar facility;
5. Dam, reservoir, canal, ditch, culvert, or similar facility;
6. Sewerage or water treatment facility, power plant, pumping station, natural gas compressing station, gas processing plant and gathering lines, coal gasification plant, refinery, distillery, blending, or similar facility;
7. Sewerage, water, coal, coal slurry, gas, or other pipeline;
8. Transmission line;
9. Radio, television, microwave, telephone, or other similar tower;
10. Water, oil, gasoline, fuel or other storage tank;
11. Shaft, tunnel, or other mining appurtenance;
12. Microwave station, or similar facility;
13. Leveling, clearing, or other preparation of land;
14. Excavating of earth;
15. Drilling of wells of any type, including seismograph shot holes or core drilling; or
16. Any similar work or activity.

**EE.** "Employee" means a person in the service of another person under any contract of hire, express or implied, oral or written, where the employer has the power or right to control and direct the employee in the material details of how the work is to be performed.

**EF.** "Enterprise" means any non-corporate business entity created by action of the Navajo Nation Council.

**EG.** "Fair market value" means the amount of consideration at which personal or real property or services would change hands via an arms-length transaction between a willing buyer and a willing seller, or a willing lessor and a willing lessee, neither of whom is under any compulsion to act.

"Fair market value" is to be determined on the basis of consideration in comparable sales, leasing, or rental transactions. If such information is not available, the Office of the Navajo Tax Commission may estimate the fair market value of the subject of a transaction according to procedures established by regulations.

**FI.** "Fresh fruits and fresh vegetables" means produce in fresh form generally considered as perishable fruits and vegetables, whether or not packed in ice or held in common or cold storage.

**GI.** "General contract" means any legal duty, obligation, or responsibility, express or implied, unilateral or bilateral, written or unwritten, which is entered into by a general contractor.

**HJ.** "General contractor" means a person primarily responsible for the performance of a construction project pursuant to a contract.

A "General contractor" may enter into subcontracts, but remains primarily responsible for the management, planning, supervision, coordination, and performance of the contract.

**IK.** "Gross receipts" means the total amount of money, credit, or any other pecuniary benefit or advantage, plus the fair market value of any other consideration, which is actually received during any period by any person from the sale or leasing of real or personal property of any kind, the sale of services of any kind, and any other productive activity of any kind, whether for profit or not, conducted wholly or partially within the Navajo Nation. "Gross receipts" does not include the salary, ~~or wages, or the market value of employee benefits such as free or reduced cost meals,~~ of an individual engaged as an employee.

"Gross receipts" includes those amounts received for any and all personal or real property which is an integral, but not necessarily a significant or primary, component of the service(s) rendered, regardless of the date, time, manner, and location of sale, delivery, or use of such personal or real property.

"Gross receipts" includes those amounts received for any and all services which are an integral, but not necessarily a significant or primary, component of the sale or delivery of personal or real property, such as those amounts received as payment or reimbursement for



costs of putting personal or real property into a finished and marketable form, payment for delivery and set-up, and payment for warranty or service contracts, regardless of the date, time, manner, or location of performance of such services(s).

"Gross receipts" does not include amounts received as reimbursement for federal, state, or Navajo Nation taxes when the seller/taxpayer collects tax from buyer and taxpayer/seller provides proof it has paid the tax to the above named taxing jurisdictions.

"Gross receipts" are recognized when seller receives the payment rather than when goods are delivered or services are received.

**FL.** "Manufacturing activity" means combining or processing components or materials into a finished product, whether manually or mechanically, for the purpose of resale in the ordinary course of business, but does not include construction activity.

**FM.** "Nut Butters" means ground nuts blended to make a paste or spread.

**FN.** "Nuts" means a fruit consisting of a hard or tough shell around an edible kernel.

**MO.** "Navajo Nation" means all areas within the territorial jurisdiction of the Navajo Nation government.

**NP.** "Performance" means the partial or complete fulfillment or accomplishment of a promise, contract, or other obligation according to the terms of such promise or contract.

**EQ.** "Period" means a calendar quarter.

**PR.** "Personal property" means any tangible property which may be seen, touched, weighed or measured, or is in any manner perceptible to the human senses, including, but not limited to, electricity, compressed or liquefied natural gas, kerosene, liquefied petroleum gas, butane, propane, non-fuel stove oil, fuel products used for the propulsion of aircraft, goods or merchandise of any kind, goods purchased for consumption or other use, goods purchased for incorporation into other personal or real property, and goods purchased for use in the performance of any service, whether or not such goods are consumable, movable, separable, affixed to, or incorporated into, other personal or real property, and whether or not such goods retain their original character upon final sale.

"Personal property" also means any intangible property which cannot be physically perceived by the human senses, such as patents, trademarks, copyrights, franchises, licenses, knowledge, information, ideas, advice, and other intangible items of value or legal rights of any kind.

**QS.** "Sale" means any transaction, including a lease or rental, for consideration of any kind that results in the transfer of ownership and/or possession, delivery, use, or enjoyment of personal or real property, or the performance of any service.

A "Sale" includes circumstances where the title to personal or real property is retained as security for payment, and includes circumstances where no actual physical transfer of personal or real property or services occurs.

**RT.** "Sale for resale" means a sales transaction of tangible personal property made to a buyer for purposes of being resold within the Navajo Nation by the buyer in the ordinary course of business—any further sale, processing, manufacturing, or other commercial or industrial purposes, as distinguished from a retail sale.

"Sale for resale" does not include the sale of services.

"Sale for resale" does not include the sale of tangible personal property for consumption by the buyer, or to a buyer who is the end-use consumer or to the agent of the end-use consumer.

"Sale for resale" does not include sale of tangible personal property for purposes of further processing, manufacturing, or other commercial or industrial purposes.

A transaction by an upstream seller shall only be considered a "sale for resale" if all of the following requirements are met: (1) the last seller for the last sale occurring within the Navajo Nation, or another seller in the supply chain, has paid the applicable Sales Tax to the Navajo Nation on a sale of the same tangible personal property; (2) the seller who paid the Sales Tax has obtained from the Office of the Navajo Tax Commission a valid Navajo Tax Exemption Certificate, and has provided the Certificate to the upstream seller; (3) the upstream seller filed a Return with the Office of the Navajo Tax Commission and attached a copy of the valid Navajo Tax Exemption Certificate pertaining to the sale in question; and (4) compliance with



other requirements related to "sale for resale" set forth in the Sales Tax Regulations.

- ~~R~~U. "Seeds" means the grains or ripened ovules of fruits, vegetables, or plants such as sunflower seeds, flax seeds, pumpkin seeds, and mixed nuts without sugared candies.
- ~~T~~V. "Services" means manual, mechanical, or intellectual labor performed, and includes other business activity that does not have physical characteristics.
- ~~U~~W. "Subcontract" means any legal duty, obligation, or responsibility, express ~~or implied~~, unilateral or bilateral, written ~~or unwritten~~ agreement, between a general contractor and a subcontractor.
- ~~V~~X. "Subcontractor" means a ~~P~~person who takes from the general contractor a specific part of the work undertaken by the general contractor.
- Y. "Traditional" means Navajo culture, laws, philosophies, values, customs, practices, and methods, that have been passed down from one generation to the next either orally or in writing.
- Z. "Upstream Seller" means a Person who sells tangible personal property to a buyer other than the end-use consumer, where the sale occurred within the Navajo Nation, and such buyer later resells the same property within the Navajo Nation.
- ~~W~~AA. "Water" means drinking water that has no added sugar or other artificial sweeteners. It includes artisan, fluoridated, mineral, purified, sparkling, spring, or sterile (distilled) water.

#### 608. NAVAJO NATION GOVERNMENT

- A. Sales by corporations owned by the Navajo Nation government or any political sub-division thereof shall be fully subject to the tax imposed by this Chapter.
- B. Sales by the government of the Navajo Nation, or political subdivisions or enterprises thereof, shall be subject to the tax imposed by this Chapter according to the following schedule:
  1. For all periods during calendar years 2001 and 2002, the Navajo Nation government, political subdivisions, and enterprises shall not be subject to the tax;
  2. For all periods during calendar year 2003, the Navajo Nation government, political subdivisions, and enterprises shall be subject to the tax at a rate equal to twenty-five percent (25%) of the rate imposed under § 605 of this Chapter;
  3. For all periods during calendar year 2004, the Navajo Nation government, political subdivisions, and enterprises shall be subject to the tax at a rate equal to fifty percent (50%) of the rate imposed under § 605 of this Chapter;
  4. For all periods during calendar year 2005, the Navajo Nation government, political subdivisions, and enterprises shall be subject to the tax at a rate equal to seventy-five percent (75%) of the rate imposed under § 605 of this Chapter;
  5. For all periods during calendar year 2006 and all periods thereafter, the Navajo Nation government, political subdivisions, and enterprises shall be subject to the tax at a rate equal to one hundred percent (100%) of the rate imposed under § 605 of this Chapter.
- C. In cases where a person is partially owned by the Navajo Nation government or any of its political subdivisions or enterprises, gross receipts shall be prorated if necessary.

#### 609. EXEMPTIONS AND EXCLUSIONS

- A. Nothing in this Chapter shall be construed as imposing a tax on the gross receipts of a subcontractor, provided that:
  1. The general contractor with whom the subcontractor has contracted has reported and paid all taxes due under this Chapter, or has assumed liability for payment of all taxes due under this Chapter by signing and issuing a certificate of exemption to the subcontractor; and,
  2. The subcontractor must obtain from the general contractor a certificate of exemption issued to the general contractor by the Office of the Navajo Tax Commission. This certificate must be signed by the general contractor, and must indicate that the

general contractor has reported and paid all taxes due under this Chapter, or has assumed liability for payment of all taxes due under this Chapter.

3. The Commission may by form or regulation provide for the proper issuance and filing of the certificate of exemption.
- B. In calculating applicable gross receipts, a person may exclude those gross receipts on which any of the following Navajo Nation taxes have been paid:
  1. Navajo Nation Oil and Gas Severance Tax; ~~or~~
  - ~~2. Navajo Tobacco Products Tax; or~~
  - ~~3. Navajo Nation Fuel Excise Tax.~~
- C. The tax imposed by this Chapter does not apply to gross receipts generated directly by the following:
  1. Sales for resale;
  2. Sales ~~of Agricultural Products related to by Agricultural Producers engaged in~~ Traditional Navajo agricultural, farming, ~~and/or~~ livestock activities conducted within the Navajo Nation. This exemption shall not apply to sales by commercial Agricultural Producers;
  3. Sales, other than sales from an unrelated trade or business as defined in §§ 511 – 513 of the Internal Revenue Code,<sup>1</sup> by any person operating exclusively for non- profit or charitable purposes, and recognized as such pursuant to § 501(C)(3) and 501(C)(19) of the United States Internal Revenue Code<sup>2</sup> at the time of sale;
  4. Sales by facilities engaged in childcare, foster care or adoption placement, or battered families and homeless shelters;
  5. Sales of stocks, private or government-issued bonds, mutual funds, or other investments, including income received as dividends or interest;
  6. Sales by itinerant salespersons;
  7. Occasional sales by persons who are not regularly engaged in the business of selling personal or real property or services;
  8. Sales by educational institutions, including primary and secondary schools, colleges, vocational, and job training programs;
  9. Sales by hospitals and health-care organizations or facilities, such as nursing care institutions, residential care and mental health facilities, senior citizen care facilities or retirement homes, kidney dialysis facilities and blood banks, or other *facilities which provide medical care and services;*
  10. Sales from coin-operated vending machines. This exemption shall not apply to coin-operated car washes and laundromats of any type;
  11. Sales related to traditional Native American ceremonies or services;
  12. Sales of prescription medicines, prosthetic devices, or other medical devices, including medical oxygen, monitoring devices, dentures, hearing aids, crutches, insulin syringes, blood sugar monitoring strips or devices, prescription eyeglasses and contact lenses, or any durable medical equipment primarily and customarily used for medical purposes and not useful in the absence of illness, injury, or other medical condition;
  13. Sales related to funerals and human burials;
  14. Sales paid for by coupons issued by the United States Department of Agriculture under the Food Stamp Act of 1977 (P.L. 95-113);<sup>3</sup>
  15. Sales paid for by vouchers issued under § 17 of the Child Nutrition Act (P.L. 95- 627 and P.L. 99-669);<sup>4</sup>
  16. Sales of newspapers or other daily publications; or

<sup>1</sup> 26 U.S.C. §§ 511 to 513.

<sup>2</sup> 26 U.S.C. § 501(c)(3) and (19)



17. Sales of mobile homes, motor homes, motor vehicles, tractors, and hauling trailers for private use, possession, or enjoyment, provided that such items are not resold or used in any business activity or service.

18. Sales of fresh fruits, fresh vegetables, filtered bottled water, nuts, nut butters, and seeds.

D. Nothing in this Chapter shall be construed as imposing directly upon the United States a tax which is prohibited by federal law.

E. Through December 31, 2005, a person may exclude from gross receipts any amount received from a transaction on which the Hotel Occupancy Tax has been paid.

#### 610. CREDITS

A person may take a credit against the tax imposed by this Chapter for taxes paid pursuant to any nondiscriminatory ~~excise sales or gross receipts~~ tax imposed by Kayenta Township and To' Nanees' Dizi' / Tuba City Chapter ~~any duly established township or local government subunit~~, provided that revenues from such excise tax are utilized to provide ~~essential~~ governmental services.

#### 611. RESERVED

#### 612. FILING OF RETURN

A. Each person must file a return indicating all sales from applicable gross receipts, which shall be reported on a cash basis as opposed to on an accrual basis, and the tax due under this Chapter for each period by the fifteenth day of the second month after the end of each calendar quarter. Returns are due on May 15, August 15, November 15, and February 15 of each calendar year.

B. The Commission may by form or regulation require that other information, records or relevant documents which it deems necessary for the proper and efficient administration of this Chapter be included with the return, and that the return be signed by a specified person.

C. No return need be filed by any person who is exempt under § 609, provided that the Office of the Navajo Tax Commission may require such person to file the information necessary to establish its exempt status.

D. No return need be filed by any person who is claiming a credit under § 610, provided that the Office of the Navajo Tax Commission may require such person to file the information necessary to establish its eligibility for the credit

E. In the case of the exemption provided for in § 609(A), the filing by a person of a proper ~~Ce~~ertificate of ~~E~~xemption with the Office of the Navajo Tax Commission shall constitute a claim for exemption.

#### 613. PAYMENT OF TAX

Payment in full of the taxes owed for a particular period is due on the same date that the completed return for that same period is due. The Office of the Navajo Tax Commission, however, may require payment of any taxes due on a monthly basis.

#### 614. RECORDKEEPING

A. Each person shall keep all records which pertain to or relate in any manner to all sales from any business activity engaged in at any time by such person. Such records shall be maintained separately for each reporting period during which a person is engaged in business activity.

B. Records required to be kept must be preserved for seven (7) ~~four~~ years beyond the end of the period to which the records relate.

<sup>3</sup> 7 U.S.C. §2011 *et. seq.*

<sup>4</sup> 42 U.S.C. § 1786

615. RESERVED

616. RESERVED

617. RESERVED

618. RESERVED

619. RESERVED

**620. ALLOCATION OF REVENUE**

After allocation to permanent or special revenue funds as required by Navajo Nation law, and allocation to the Tax Administration Suspense Fund as required by the fiscal policy adopted by the Navajo Tax Commission for such Fund, the net revenue from this Chapter shall be disbursed as follows:

- A. To the extent that any amount is collected pursuant to Section 605(B) above, that amount shall be transmitted by the Office of the Navajo Tax Commission to the chapter in a timely manner to be expended in accordance with the ordinance referred to in Section 605(B), above.
- B. Except as otherwise provided in subsections (C) or (D), fifty percent (50%) of the revenue collected shall be deposited into the General Fund of the Navajo Nation, sixteen point six, six... percent (16.6666%) of the revenue collected shall be deposited into the Judicial/Public Safety Facilities Fund, eight point three, three...percent (8.3333%) of the revenue collected shall be deposited to the Scholarship Fund, and eight point three, three...percent (8.3333%) of the revenue shall be deposited to the Economic Development Fund to be appropriated pursuant to a fund management plan approved by the Budget and Finance Committee of the Navajo Nation Council, and Council, and the remaining sixteen point six, six...percent (16.6666%) of the reserve revenue shall be deposited to the Fire and Rescue Services Fund to be appropriated pursuant to a fund management plan approved by the Budget and Finance Committee of the Navajo Nation Council.
- C. Fifty percent (50%) of the revenue collected from retail establishments located in the Navajo Nation shall be deposited into a trust fund to be appropriated pursuant to a plan of operation developed by the Office of Navajo Government Development and approved by the Budget and Finance Committee of the Navajo Nation Council; sixteen point six, six...percent (16.6666%) of the revenue collected shall be deposited into the Judicial/Public Safety Facilities Fund to be appropriated pursuant to a fund management plan approved by the Budget and Finance Committee of the Navajo Nation Council; eight point three, three... percent (8.3333%) of the revenue collected shall be deposited into the Scholarship Fund to be appropriated pursuant to a fund management plan approved by the Budget and Finance Committee of the Navajo Nation Council and eight point three, three...percent (8.3333%) of the revenue collected shall be deposited into the Economic Development Fund to be appropriated pursuant to a fund management plan approved by the Budget and Finance Committee of the Navajo Nation Council, and the remaining sixteen point six, six...percent (16.6666%) of the reserve revenue shall be deposited to the Fire and Rescue Services Fund to be appropriated pursuant to a fund management plan approved by the Budget and Finance Committee of the Navajo Nation Council.
- D. Sixty-percent (60%) of the revenue collected from the Sales Tax revenue associated with construction of public water and wastewater systems shall be deposited into the Navajo Tribal Utility Authority Emergency Reserve Fund and the Navajo Tribal Utility Authority

Replacement Reserve Fund in accordance with a fund management plan approved by the Budget and Finance Committee of the Navajo Nation Council. Monies from those funds will be expended in accordance with the fund management plan. Twenty percent (20%) of the revenue collected shall be deposited into the Judicial/Public Safety Facilities Fund to be appropriated pursuant to a fund management plan approved by the Budget and Finance Committee of the Navajo Nation Council; ten percent (10%) of the revenue collected shall be deposited into the Scholarship Fund to be appropriated pursuant to a fund management plan approved by the Budget and Finance Committee of the Navajo Nation Council; and ten percent (10%) of the revenue collected shall be deposited into the Economic Development Fund to be appropriated pursuant to a fund management plan approved by the Budget and Finance Committee of the Navajo Nation Council.

**621. NO CONFLICT WITH LOCAL GOVERNANCE ACT**

The provisions of this Chapter and corresponding regulations shall not be construed inconsistently with the Local Governance Act, 26 N.N.C. §§1 – 2008.

**622. SEVERABILITY**

If any provision of this Chapter, as amended, or its application to any person or circumstance, is held invalid by a final judgment of a court of competent jurisdiction, the invalidity shall not affect other provisions or applications of the Chapter which can be given effect without the invalid provision or application, and to this end, the provisions of this Chapter are severable.

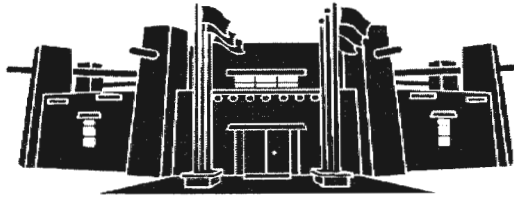
**623. EFFECTIVE DATE**

This Chapter shall become effective ~~January 1, 2018~~ in accordance with 2 N.N.C. § 221(B).

**624. REPEALS**

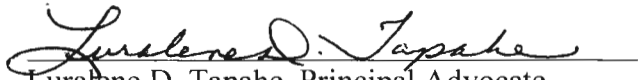
All laws or parts of laws (or attachments thereto) which are inconsistent with the provisions of this Chapter are hereby repealed, including, without limitation, any law purporting to waive any right of taxation by the Navajo Nation.





## MEMORANDUM

TO: Hon. Jaime Henio, Chairman  
Budget and Finance Committee  
24<sup>th</sup> Navajo Nation Council

FROM:   
Lurafene D. Tapahe, Principal Advocate  
Office of Legislative Counsel

DATE: July 9, 2021

**SUBJECT: AN ACT RELATING TO THE RESOURCES AND DEVELOPMENT, LAW AND ORDER, BUDGET AND FINANCE, AND NAABIK'ÍYÁTI' COMMITTEES, AND THE NAVAJO NATION COUNCIL; AMENDING THE NAVAJO NATION SALES TAX AT 24 N.N.C. §601-§624**

Per your request, the Office of Legislative Counsel has prepared the above-referenced proposed legislation and related summary sheet. Based on existing Navajo Nation law and other applicable laws, and upon review of all documents submitted, this legislation as drafted is legally sufficient. However, as with any action of government, this legislation may be subject to review by the Navajo Nation courts in the event of proper legal challenge.

**Please ensure that this legislation is precisely what you want.** You are encouraged to review this legislation to ensure that it is drafted to your satisfaction.

The Office of Legislative Counsel has reviewed the appropriate standing committees' authority to consider this legislation, based on the standing committees' powers outlined in Title 2 of the Navajo Nation Code. Nevertheless, the Speaker of the Navajo Nation Council may assign this legislation to committee(s) other than those listed in the title, pursuant to the Speaker's authority under 2 N.N.C. §164(A)(5).

If this proposed legislation is unacceptable to you, please contact me at the Office of Legislative Counsel and advise me of the changes you would like made to the proposed resolution.

Thank you.

THE NAVAJO NATION  
LEGISLATIVE BRANCH  
INTERNET PUBLIC REVIEW PUBLICATION



LEGISLATION NO: \_0111-21\_

SPONSOR: Jamie Henio

**TITLE: An Act Relating to the Resources and Development, Law and Order,  
Budget and Finance, and Naabik'iyáti Committees, and the Navajo Nation Council;  
Amending the Navajo Nation Sales Tax at 24 N.N.C. §601-624**

*Date posted:* July 09, 2021 at 4:27PM

Digital comments may be e-mailed to [comments@navajo-nsn.gov](mailto:comments@navajo-nsn.gov)

Written comments may be mailed to:

Executive Director  
Office of Legislative Services  
P.O. Box 3390  
Window Rock, AZ 86515  
(928) 871-7586

**Comments may be made in the form of chapter resolutions, letters, position papers, etc. Please include your name, position title, address for written comments; a valid e-mail address is required. Anonymous comments will not be included in the Legislation packet.**

**Please note:** This digital copy is being provided for the benefit of the Navajo Nation chapters and public use. Any political use is prohibited. All written comments received become the property of the Navajo Nation and will be forwarded to the assigned Navajo Nation Council standing committee(s) and/or the Navajo Nation Council for review. Any tampering with public records are punishable by Navajo Nation law pursuant to 17 N.N.C. §374 *et. seq.*

**THE NAVAJO NATION  
LEGISLATIVE BRANCH  
INTERNET PUBLIC REVIEW SUMMARY**

**LEGISLATION NO.: 0111-21**

**SPONSOR: Honorable Jamie Henio**

**TITLE: An Act Relating to the Resources and Development, Law and Order, Budget and Finance, and Naabik'iyáti Committees, and the Navajo Nation Council; Amending the Navajo Nation Sales Tax at 24 N.N.C. §601-624**

**Posted: July 09, 2021 at 4:27 PM**

**5 DAY Comment Period Ended: July 14, 2021**

**Digital Comments received:**

<b>Comments Supporting</b>	<i>None</i>
<b>Comments Opposing</b>	<i>None</i>
<b>Comments/Recommendations</b>	<i>None</i>



**Legislative Tracking Secretary  
Office of Legislative Services**

07/15/21; 10:00 AM

**Date/Time**