

Stand Up For California!
“Citizens making a difference”

www.standupca.org

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Penryn, CA 95663

January 1, 2011

Jay Mc Keeman
Vice President Government Relations
California Independent Oil Marketers Association
3835 N. Freeway Blvd., Suite 240
Sacramento, CA. 95834
Ph: 916-646-5985
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RE: Gasoline Tax and Unfair Competition brought about by Tribal Gaming

Dear Mr. Mc Keeman:

Taxes on gasoline and cigarettes are significant revenue sources for the State of California. Taxes from these items also provide beneficial public services, such as road development, expansion and maintenance and public health services to our States 37.2 million citizens. The addition of gas station/convenience stores as an added amenity to the destination resort casinos of tribal governments has created a new and evolving impact on independent gasoline retailers.

Tribal gaming has been the economic engine along with the federal fee to trust process¹ that has promoted the jurisdictional and economic growth of tribal governments across California. Many tribal casinos now provide amenities such as hotels, spas, golf courses, gas stations, cigarette shops, retail outlet centers and restaurants. Tribal governments are in direct competition with local governments and states for taxable revenues.

Stand Up for California is a statewide organization with a focus on the impacts of gambling affecting California. We have been involved in the ongoing debate of issues raised by tribal gaming and its impacts for more than a decade. We are recognized and act as a resource of information to local, state and federal policy makers. Accordingly, we are supplying you with the accompanying information, and suggest that you may be interested in (a) disseminating this

¹ Indian Reorganization Act (Wheeler-Howard Act) June 18, 1934) An Act to conserve and develop Indian lands and resources; to extend to Indians the right to form business and other organizations; to establish a credit system for Indians; to grant certain rights of home rule to Indians; to provide for vocational education for Indians; and for other purposes.

information to your members, (b) pursuing further information on the subject, and (c) undertaking such political and/or lobbying activity as you deem appropriate in connection therewith.

Since the passage of Proposition 1A in 2000, Indian Gaming has established a significant foothold in the culture of California. Nevertheless, Tribes are dependent on the State's transportation systems in their quest for economic self-sufficiency. State roadways provide access to rural reservations transporting patrons and employees to tribal casino/destination resorts. Sharing in the development and maintenance of our states infrastructure is mutually beneficial to tribes and all residents of the state. The development of local mitigation agreements or consideration of a state tribal cooperative agreement addressing in-lieu of taxes on tribal gasoline stations/convenience stores is worthy of industry, state and tribal government consideration.

Tribal gas stations present unfair competition to established independent retailers, and reduce the amount of taxable revenue to local governments and the State of California. Attached to this letter is a brief white paper on the expansion of tribal gas stations throughout California. Additionally, a copy of a recent reply from the Board of Equalization, to an inquiry regarding tribal gas taxation and specifically pointing out the concerns about gasoline purchased out of state avoiding the tax at the rack.

Recent changes to the transportation tax laws² have further created an unknown estimated economic impact to County governments. Further unknown is the statewide economic impact or loss of state transportation taxes incurred due to the expansion of tribally owned and operated gas stations that may not forward state sales tax on gas. Or, that an environment of unfair competition will reduce gas sales tax to the State. Also unknown is the potential loss of state taxes on tobacco products at tribally owned convenience stores or smoke shops.

As the California Legislature examines the State Budget deficit in 2011, transportation, tobacco and state sales taxation issues will be high on the list. These issues are worthy of your Associations consideration to protect the financial interests of your members.

Additionally, many Tribal governments will be seeking re-negotiated tribal state compacts in the New Year. Considering the economic impact to the state due to the loss of sales tax California Independent Oil Marketers have an opportunity to play a significant role in the development of tribal state compact components that protect the interests of Association members and the scarce revenue resources of the State.

We hope that you find this information useful and enlightening. Please do not hesitate to contact *Stand Up For California* in the future for additional information on tribal gaming and its evolving impacts on public policy and the business community throughout the State of California.

² It is currently unclear what impact the passage of Proposition 26 on prior Propositions 42 will have on transportation taxes affecting California Counties.

Sincerely,

A handwritten signature in black ink that reads "Cheryl A. Schmit". The signature is written in a cursive style with a large, looped initial "C".

Cheryl Schmit – Director

916-663-3207

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Attachments:

CC: Coalition of Business Retailers

Greg Forrester – Sierra Minit Mart, 101 West Morton Ave., Porterville, CA. 93257

Harlan Calhoun, General Manager, McNeece Bros.

Dennis Rieger, Salton Sea Venture, Inc., 1209 Van Buren Ave Suite #3, Salton City, CA
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Mr. Reed Sellers, Sellers Petroleum, 350 W. Aten Road, Imperial CA. 92251