

12-1727-cv(L)
Mashantucket Pequot Tribe v. Town of Ledyard

1 UNITED STATES COURT OF APPEALS
2 FOR THE SECOND CIRCUIT
3

4
5 August Term, 2012
6

7 (Argued: March 18, 2013 Decided: July 15, 2013)
8

9 Docket Nos. 12-1727-cv(L), 12-1735-cv(CON)
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11
12 MASHANTUCKET PEQUOT TRIBE,
13

14 *Plaintiff-Appellee,*
15

16 -v.-
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18 TOWN OF LEDYARD; PAUL HOPKINS, Tax Assessor, Town of
19 Ledyard; JOAN CARROLL, Tax Collector, Town of Ledyard,
20

21 *Defendants-Appellants,*
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23 STATE OF CONNECTICUT,
24

25 *Intervenor-Defendant-Appellant.**
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29 Before:

30 JACOBS, *Chief Circuit Judge*, CABRANES AND WESLEY, *Circuit Judges.*
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35 The Town of Ledyard and State of Connecticut appeal from the
36 judgment of the United States District Court for the
37 District of Connecticut (Warren W. Eginton, *Judge*), holding
38 that (1) nothing barred the court from exercising

* The Clerk of the Court is directed to amend the caption as listed above.

1 jurisdiction and (2) Connecticut's personal property tax, as
2 applied to vendors leasing slot machines to the Mashantucket
3 Pequot Tribe for use at Foxwoods casino, was barred by the
4 Indian Trader Statutes, Indian Gaming and Regulatory Act,
5 and pursuant to the balancing test enunciated in *White*
6 *Mountain Apache Tribe v. Bracker*, 448 U.S. 136 (1980). We
7 hold that the district court (1) appropriately reached the
8 merits of the case but (2) erred by finding the tax to be
9 preempted.

10
11 REVERSED and REMANDED.
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16 _____
17 ERIC D. MILLER (Benjamin S. Sharp, Jennifer A.
18 MacLean, *on the brief*), Perkins Coie LLP,
19 Seattle, WA and Washington, D.C., *for*
20 *Defendants-Appellants Town of Ledyard, Paul*
21 *Hopkins, and Joan Carroll.*

22 ROBERT J. DEICHERT, Assistant Attorney General,
23 *for* George Jepsen, Attorney General of the
24 State of Connecticut, Hartford, CT, *for*
25 *Intervenor-Defendant-Appellant State of*
26 *Connecticut.*

27
28 SKIP DUROCHER (Mary J. Streitz, James K. Nichols,
29 *on the brief*), Dorsey & Whitney LLP,
30 Minneapolis, MN, *for Plaintiff-Appellee*
31 *Mashantucket Pequot Tribe.*
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36 _____
37 WESLEY, *Circuit Judge:*

38 The Mashantucket Pequot Tribe (the "Tribe") challenges
39 the Town of Ledyard's (the "Town") imposition of the State
40 of Connecticut's (the "State") personal property tax on the
41 lessors of slot machines used by the Tribe at Foxwoods

1 Resort Casino and MGM Grand at Foxwoods (collectively
2 "Foxwoods"), located in Ledyard, Connecticut. See Conn.
3 Gen. Stat. §§ 12-40 *et seq.* (the "tax"). The Tribe filed
4 complaints in August 2006 and September 2008 on behalf of
5 two vendors who lease slot machines to the Tribe for use at
6 Foxwoods. The Town and the State appeal from a ruling of
7 the United States District Court for the District of
8 Connecticut (Warren W. Eginton, *Judge*) denying their motions
9 for summary judgment, granting summary judgment to the
10 Tribe, and affording the Tribe injunctive and declaratory
11 relief.

12 As a threshold matter, the Town and State assert that
13 (1) the Tribe lacks standing; (2) the Tax Injunction Act, 28
14 U.S.C. § 1341, strips federal courts of jurisdiction over
15 this action; and (3) principles of comity bar federal courts
16 from deciding this action. On the merits, the Tribe defends
17 the district court's order to invalidate the State's
18 personal property tax as applied to the vendors, asserting
19 that the tax is preempted (1) by the Indian Trader Statutes,
20 25 U.S.C. §§ 261-64; (2) by the Indian Gaming Regulatory Act
21 ("IGRA"), 25 U.S.C. §§ 2701 *et seq.*; and (3) pursuant to the
22 balancing test enunciated in *White Mountain Apache Tribe v.*
23 *Bracker*, 448 U.S. 136 (1980).

1 We hold that: the district court properly exercised
2 jurisdiction, and the Tribe has standing to pursue this
3 claim; neither IGRA nor the Indian Trader Statutes expressly
4 bar the tax; and, under the *Bracker* test, federal law does
5 not implicitly bar the tax because State and Town interests
6 in the integrity and uniform application of their tax system
7 outweigh the federal and tribal interests reflected in IGRA.
8 The district court erred in granting summary judgment for
9 the Tribe and in denying summary judgment for the Town and
10 State.

11
12 **Background**

13 **I. The Tax**

14 Connecticut imposes a generally-applicable personal
15 property tax for the purpose of revenue collection for the
16 municipalities that assess and collect the tax. State law
17 requires nonresident owners of personal property, which
18 includes slot machines, to file declarations spelling out
19 the value of their property with the towns where their
20 property is located. The towns apply a formula to the value
21 of that property and bill the owners accordingly. Conn.
22 Gen. Stat. § 12-43. To collect the tax, the Town relies

1 heavily on "the willingness of taxpayers to comply with
2 State law and file personal property declarations." Hopkins
3 Decl. ¶ 8. This tax does not apply to Tribal property
4 located on-reservation.

5 Connecticut's towns use these tax proceeds "to fund the
6 operation of municipal government." *Id.* ¶ 5. The services
7 provided by the Town include, *inter alia*, police and
8 emergency-services functions, road maintenance, education,
9 and trash collection. The Town maintains roads to and
10 throughout the Indian reservation, provides emergency
11 services to the Tribe, buses children living on-reservation
12 to schools, and pays for the education of Tribal children
13 on-reservation. The annual cost to the Town of educating
14 Tribal children is at least \$236,258.¹

15 **II. The Gaming Procedures**

16 The Mashantucket Pequot Gaming Enterprise (the
17 "Enterprise") operates Foxwoods, the self-described largest
18 casino and resort in the United States. The Enterprise
19 employs 10,000 people, of whom approximately 150 are Tribal
20 members. Although the Tribe has other sources of income,

¹ The Town actually spends approximately \$652,158 per annum, but it receives approximately \$415,900 in federal aid, leaving the Town with \$236,258 in non-reimbursed costs.

1 including at least four types of taxes it imposes on on-
2 reservation activities, the majority of the Tribe's revenue
3 comes from the Enterprise. Slot machines are among the most
4 popular Enterprise games.

5 IGRA defines slot machines as Class III games. See 25
6 C.F.R. § 502.4. The Final Mashantucket Pequot Gaming
7 Procedures, promulgated by the Secretary of the Interior,
8 governs the Tribe's use of Class III games. See Dist. Ct.
9 Doc. No. 221-13, 56 Fed. Reg. 24996 (1991), 56 Fed. Reg.
10 15746-01 (1991) ("Gaming Procedures"). Under the Gaming
11 Procedures, the State licenses gaming employees, requires
12 enterprises to register before providing gaming, and
13 collects compensation from the Tribe. Gaming Procedures at
14 §§ 5-6. The Enterprise pays twenty-five percent of all
15 proceeds from video facsimile games² to the State. These
16 payments exceeded \$1.5 billion from 2003 to 2011. The
17 Enterprise also "reimburse[s] the State for law enforcement
18 and regulatory services related to [] gaming;" this payment
19 was, in total, approximately \$56.8 million from 2003-2011.

20 **III. The Lease Agreements and Modifications**

21 The Enterprise obtains slot machines from different
22 vendors, including Atlantic City Coin & Slot Company ("AC

² Slot machines are included among "video facsimile games."

1 Coin")³ and WMS Gaming Incorporated ("WMS") (collectively
2 the "vendors"). AC Coin is incorporated and based in New
3 Jersey; WMS is a Delaware corporation with headquarters in
4 Illinois. AC Coin and WMS sell some of their slot machines,
5 but they offer some of their most popular proprietary games
6 by lease only.⁴

7 AC Coin began leasing slot machines to the Tribe in
8 1997-98. These leases provided that "[t]axes and any
9 license fees applicable to the use and operation of the
10 [machines] shall be paid by [the] [c]asino." AC Coin Lease
11 10/11/2000. The agreements further provided that the Tribe:

12 agrees to defend, indemnify, and hold harmless A.C.
13 Coin, its agents, employees, officers, and directors
14 from and against any and all liabilities,
15 obligations, losses, damages, injuries, claims,
16 demands, penalties, costs and expenses . . . of
17 whatsoever kind or nature . . . arising out of the
18 use, operation and possession of the [machines],
19 provided such liabilities are not the direct result
20 of the negligent or intentional conduct of A.C. Coin
21 or its agents, officers, and directors.

22
23 *Id.* "AC Coin has used, and continues to use, this standard
24 form tax and indemnification language . . . in leases for

³ On June 27, 2013, the Tribe notified the Court that AC Coin would cease operations on June 30, 2013. This does not affect any of the legal analysis in this case.

⁴ As of October 2009, AC Coin began to make its proprietary games available for purchase. See Tribe Brief at 12.

1 both its tribal and non-tribal lessees." McCormick Aff. 2.
2 AC Coin has paid Connecticut's personal property tax on slot
3 machines leased to the tribes that operate both Foxwoods and
4 Mohegan Sun, another Connecticut-based, Indian-run casino.
5 Despite the permissive language in its leases, AC Coin has
6 not sought or received reimbursement for the taxes that it
7 has paid on gaming equipment leased to other casinos and had
8 not sought reimbursement from the Tribe prior to this
9 lawsuit.

10 WMS also leased slot machines to the Tribe pursuant to
11 standard form leases, beginning in 1998. A 1998 lease with
12 the Tribe contained standard language requiring that:

13 [t]axes, licenses and permit fees applicable to the
14 installation or operation of the [machines] shall be
15 paid by the [Tribe]. [The Tribe] shall indemnify and
16 defend WMS from and against any penalty, liability
17 and expense . . . arising from [the Tribe's] failure
18 to remit such taxes or from any delinquency with
19 respect to such remittance.

20
21 WMS Lease Agreement 10/15/98. Like AC Coin, WMS "has not
22 sought reimbursement nor has it ever been reimbursed for
23 personal property taxes it has paid on gaming equipment
24 leased to casinos by any casino or Indian tribe, including
25 the . . . Enterprise and the Mohegan Sun casino." Town Rule
26 56(a)(1) Statement 7. Similarly, WMS "does not change the

1 pricing, or lease rate, of leased slot machines because of
2 personal property tax; the tax is not a factor in lease
3 pricing." *Id.*

4 In the late 1990s, the Tribe decided that its vendors
5 should not be subject to the tax. Despite the vendors'
6 initial reluctance, the Tribe persuaded the vendors to
7 modify the lease agreements to reflect this decision. The
8 modified AC Coin lease indicated:

9 Foxwoods represents that it is not subject to any
10 state or local taxes for any services or sales or
11 leases occurring at Foxwoods' premises and . . . AC
12 Coin agrees not to file with the local towns or any
13 other applicable jurisdiction, including specifically
14 the Town of Ledyard, a list of property or equipment
15 provided under the Agreement or to pay such tax with
16 respect to such equipment except in the event that AC
17 Coin is legally obligated to do so. In the event
18 [that] AC Coin becomes legally obligated to file
19 and/or pay taxes, AC Coin agrees to immediately
20 notify Foxwoods of such obligation and to reasonably
21 cooperate with Foxwoods in contesting such tax filing
22 and/or payment if so requested by Foxwoods
23 Foxwoods agrees to hold harmless and/or reimburse AC
24 Coin within thirty (30) days for any taxes or any
25 related cost or expense paid in accordance with this
26 provision.

27
28 Town Rule 56(a)(1) Statement 4-5.

29 The modified language in the WMS lease agreement was
30 substantially identical. *See id.* Despite the
31 modifications, WMS and AC Coin continued to pay personal
32 property taxes until the Tribe pressured them to stop.

1 **IV. Court Actions among the Parties**

2 In 2006, AC Coin pursued and lost an administrative
3 appeal of the tax to the Town's Board of Assessment Appeals.
4 In August 2006, the Tribe and AC Coin filed the complaint in
5 this action in the United States District Court for the
6 District of Connecticut.

7 In July 2008, the Town filed suit in Connecticut
8 Superior Court to collect unpaid property taxes from WMS.
9 In September 2008, the Tribe sued in federal court to enjoin
10 the enforcement of the tax against WMS. The district court
11 consolidated the two federal actions. The Superior Court
12 has stayed Connecticut's action against WMS pending
13 resolution of this case. *Town of Ledyard v. WMS Gaming,*
14 *KNL-cv08-5007839* (Conn. Sup. Ct.). The State intervened as
15 a defendant in both federal cases. As relevant here, the
16 parties filed cross-motions for summary judgment, which the
17 district court resolved in favor of the Tribe.

18
19 **Discussion**

20 The Town and State offer three independent reasons to
21 dismiss this case for lack of jurisdiction: (1) standing,
22 (2) the Tax Injunction Act ("TIA"), and (3) comity. The

1 Tribe argues that jurisdiction was proper and that we should
2 affirm the district court's opinion that the tax is
3 preempted by (1) the Indian Trader Statutes, (2) IGRA, and
4 (3) the *Bracker* balancing test. We find that (1) the
5 district court properly reached the merits of the case, and
6 (2) the district court erred in holding that the tax was
7 preempted.

8 **I. The District Court Properly Exercised Jurisdiction**

9 The district court concluded that none of the
10 Appellants' challenges to its jurisdiction were persuasive.
11 *See Mashantucket Pequot Tribe v. Town of Ledyard*, No. 06-cv-
12 1212(WWE), 2007 WL 1238338, *1-2 (D. Conn. Apr. 25, 2007)
13 ("*Pequot I*") (denying motion to dismiss based on the TIA and
14 comity); *Mashantucket Pequot Tribe v. Town of Ledyard*, No.
15 06-cv-1212(WWE), 2012 WL 1069342, *5-6 (D. Conn. Mar. 27,
16 2012) ("*Pequot II*") (denying motion to dismiss based on the
17 TIA and lack of standing). We affirm that conclusion.

18 **A. The Tribe Has Standing to Pursue Its Claim**

19 The Town alleges that the Tribe lacks standing to bring
20 this claim. "To establish Article III standing, an injury
21 must be 'concrete, particularized, and actual or imminent;
22 fairly traceable to the challenged action; and redressable

1 by a favorable ruling.'" *Clapper v. Amnesty Intern. USA*, --
2 U.S. --, 133 S. Ct. 1138, 1147 (2013) (quoting *Monsanto Co.*
3 *v. Geertson Seed Farms*, 561 U.S. --, 130 S. Ct. 2743, 2752
4 (2010)). Only the existence of a concrete, particularized
5 injury is at issue in this case.

6 The Tribe argues, *inter alia*, that it has suffered an
7 injury-in-fact because the tax infringes upon Tribal
8 sovereignty. We agree that the Tribe's allegations are
9 sufficient to confer standing.

10 Although Article III's standing requirement is not
11 satisfied by mere assertions of trespass to tribal
12 sovereignty, actual infringements on a tribe's sovereignty
13 constitute a concrete injury sufficient to confer standing.
14 This injury, distinct "from the monetary injury asserted by"
15 the taxed parties, implicates "the substantive interest
16 which Congress has sought to protect [in] tribal self-
17 government." *Moe v. Confederated Salish and Kootenai Tribes*
18 *of Flathead Reservation*, 425 U.S. 463, 469 n.7 (1976)
19 (addressing state taxes imposed on on-reservation Indians
20 directly implicating the tribe's relationship with its
21 members). This rule exists because tribes, like states, are
22 afforded "special solicitude in our standing analysis."
23 *Massachusetts v. EPA*, 549 U.S. 497, 520 (2007).

1 “The Supreme Court has consistently recognized that a
2 tribe has an interest in protecting tribal self-government
3 from the assertion by a state that it has regulatory or
4 taxing authority over Indians and non-Indians conducting
5 business on tribal reservations.” *Miccosukee Tribe of*
6 *Indians of Fla. v. Fla. State Athletic Comm’n*, 226 F.3d
7 1226, 1230 (11th Cir. 2000) (citing *White Mountain Apache*
8 *Tribe v. Bracker*, 448 U.S. 136 (1980), and *Ramah Navajo Sch.*
9 *Bd. v. Bureau of Revenue of N.M.*, 458 U.S. 832, 845 (1982)).
10 In *Miccosukee*, the Eleventh Circuit held that a tax imposed
11 on revenues gained by a non-Indian boxing promoter from an
12 on-reservation match constituted an affront to sovereignty
13 sufficient to confer standing. *Id.* at 1230-31 (collecting
14 cases in which the Supreme Court reached the merits of
15 similar actions).

16 The Town relies on *Reich v. Mashantucket Sand & Gravel*,
17 95 F.3d 174 (2d Cir. 1996), in which this Court held
18 (without discussing standing) that some statutory
19 interference with tribal sovereignty was permissible, to
20 argue that the alleged infringement of sovereignty at issue
21 here does not confer standing. However, we must avoid
22 “conflat[ing] the requirement for an injury-in-fact with the

1 . . . validity of [the Tribe's] claim." *Dean v. Blumenthal*,
2 577 F.3d 60, 66 n.4 (2d Cir. 2009) (*per curiam*). The
3 standing inquiry only requires that the Tribe establish "an
4 invasion of a legally protected interest which is (a)
5 concrete and particularized, and (b) actual or imminent, not
6 conjectural or hypothetical." *Lujan v. Defenders of*
7 *Wildlife*, 504 U.S. 555, 560 (1992) (internal quotations and
8 citations omitted).

9 Here, the imposition of state taxes on slot machines
10 operated only by the Tribe's casino and stored solely on-
11 reservation impinges upon the Tribe's ability to regulate
12 its affairs and to be the sole governmental organ
13 influencing activities, including possession of property, on
14 its reservation. The injury in this case is neither
15 speculative nor generalized; there is a real tax with
16 measurable interference in the Tribe's sovereignty on its
17 reservation. *Miccosukee*, 226 F.3d at 1230, 1234. The Tribe
18 has standing to vindicate these interests.

19 **B. The TIA Does Not Bar This Action**

20 The State alleges that the Tribe's suit is barred by
21 the TIA, which provides that "district courts shall not
22 enjoin, suspend or restrain the assessment, levy or

1 collection of any tax under State law where a plain, speedy
2 and efficient remedy may be had in the courts of such
3 State." 28 U.S.C. § 1341. The Tribe counters that a tribal
4 exception recognized in *Moe*, 425 U.S. at 470-74, undercuts
5 the TIA's seemingly sweeping language. We agree with the
6 Tribe.

7 Federal courts "have original jurisdiction of all
8 [federal claims] brought by any Indian tribe or band with a
9 governing body duly recognized by the Secretary of the
10 Interior." 28 U.S.C. § 1362. In *Moe*, the Supreme Court
11 permitted a Tribe to challenge, *inter alia*, the imposition
12 of a state personal property tax imposed on-reservation.
13 425 U.S. at 469. The *Moe* Court held that tribes are
14 entitled to "treatment similar to that of the United States
15 had it sued on their behalf." *Id.* at 474. The Court
16 further noted that the United States could sue to vindicate
17 Indian interests that it had sought to protect through
18 federal legislation and federal programs. *Id.* at 473
19 (citing *Heckman v. United States*, 224 U.S. 413 (1912), and
20 *United States v. Rickert*, 188 U.S. 432 (1903)). The tribe
21 was therefore permitted to sue to dispute imposition of
22 state personal property taxes and sales taxes as applied to
23 on-reservation Indians. *Id.* at 474-75.

1 If the Tribe were suing to enjoin enforcement of a
2 state tax imposed directly on the Tribe, the action would
3 not be barred by the TIA. *Moe*, 425 U.S. at 472-74; see also
4 *Sac and Fox Nation of Missouri v. Pierce*, 213 F.3d 566, 571-
5 72 (10th Cir. 2000). However, otherwise exempt parties are
6 subject to the TIA when they sue on behalf of non-exempt
7 institutions. *FDIC v. New York*, 928 F.2d 56, 59 (2d Cir.
8 1991). Insofar as the Tribe is suing on behalf of the
9 third-party vendors who are the taxed parties, its suit
10 (like theirs) is barred by the TIA.

11 Here, the Tribe is suing to defend against the Town's
12 and State's alleged encroachment upon aspects of tribal
13 sovereignty protected by the Indian Trader Statutes and
14 IGRA. Courts "'embrace[] the recognition of the interest of
15 the United States in securing immunity to the Indians from
16 taxation conflicting with the measures it had adopted for
17 their protection.'" *Moe*, 425 U.S. at 473 (quoting *Heckman*,
18 224 U.S. at 441). Since we are required to decide whether
19 the state tax at issue conflicts with the federal measures
20 enacted for the Tribe's protection, we have undoubted
21 jurisdiction - notwithstanding the TIA - to perform that
22 task. Recognizing this requirement, Congress bestowed on

1 the federal courts original jurisdiction over "all" federal
2 claims brought by tribes. 28 U.S.C. § 1362. The TIA does
3 not preclude jurisdiction over a tribe's suit to enjoin
4 purportedly preempted state taxation of non-Indians on the
5 reservation. *See, e.g., Barona Band of Mission Indians v.*
6 *Yee*, 528 F.3d 1184, 1186 n.1 (9th Cir. 2008).⁵

7 **C. Comity Does Not Preclude Federal Jurisdiction**

8 The State alleges that the district court abused its
9 discretion in failing to dismiss this case under principles
10 of comity. The Tribe asserts that the State forfeited this
11 claim. We reject both arguments: the State adequately
12 preserved its comity objection, but the district court was
13 within its discretion in denying the motion to dismiss. *See*
14 *Joseph v. Hyman*, 659 F.3d 215, 218 n.1 (2d Cir. 2011)
15 ("where, as here, a district court dismisses the action
16 based on comity, we review the decision for abuse of
17 discretion").

18

⁵ The State's reliance on *United States v. Jicarilla Apache Nation*, -- U.S. --, 131 S. Ct. 2313 (2011), is misplaced. *Jicarilla* addresses the fiduciary exception to the attorney-client privilege as related to the United States in its trustee relationship with Indian tribes. The opinion relies on analysis of the evidentiary privilege and the relationship between the United States and Indian tribes; neither is directly at issue here. *Id.*

1 The Tribe points to cases in which courts have held
2 that arguments raised in the complaint were waived unless
3 reiterated in opposition to motions for summary judgment.
4 Tribe Br. 41 (citing, *inter alia*, *Rocafort v. IBM Corp.*, 334
5 F.3d 115, 121 (1st Cir. 2003)). These cases are
6 unpersuasive in the context of "comity and federalism[,
7 which] bear on the relations between court systems,
8 [because] those relations will be affected whether or not
9 the litigants have raised the issue themselves." *Washington*
10 *v. James*, 996 F.2d 1442, 1448 (2d Cir. 1993). Moreover, the
11 district court considered and rejected the comity challenge
12 prior to the motion for summary judgment. "After [the]
13 final order, the district court's earlier denial of the
14 motion to remand for lack of subject matter jurisdiction
15 also is reviewable." *Capitol Hill Grp. v. Pillsbury,*
16 *Winthrop, Shaw, Pittman, LLC*, 569 F.3d 485, 488 (D.C. Cir.
17 2009) (citing CHARLES ALAN WRIGHT, ARTHUR R. MILLER & EDWARD H.
18 COOPER, FEDERAL PRACTICE AND PROCEDURE § 3740 (3d. ed. 1998)). "To
19 require [the State] to re-raise [its] objections would be an
20 overly formalistic application of waiver." *Dexia Credit*
21 *Local v. Rogan*, 602 F.3d 879, 884 (7th Cir. 2010).

1 "More embracive than the TIA, the comity doctrine
2 applicable in state taxation cases restrains federal courts
3 from entertaining claims for relief that risk disrupting
4 state tax administration." *Levin v. Commerce Energy, Inc.*,
5 560 U.S. 413, 130 S. Ct. 2323, 2328 (2010). The practical
6 reasons for the stringent application of comity in the
7 context of state tax law were explained by Justice Brennan:

8 The special reasons justifying the policy of federal
9 non-interference with state tax collection are
10 obvious. . . . If federal declaratory relief were
11 available to test state tax assessments, state tax
12 administration might be thrown into disarray, and
13 taxpayers might escape the ordinary procedural
14 requirements imposed by state law. During the
15 pendency of the federal suit the collection of
16 revenue under the challenged law might be obstructed,
17 with consequent damage to the State's budget, and
18 perhaps a shift to the State of the risk of taxpayer
19 insolvency. Moreover, federal constitutional issues
20 are likely to turn on questions of state tax law,
21 which, like issues of state regulatory law, are more
22 properly heard in the state courts.

23
24 *Perez v. Ledesma*, 401 U.S. 82, 128 n.17 (1971) (concurring
25 in part and dissenting in part). Recognizing the competence
26 of the state courts to adjudicate federal issues "is
27 essential to 'Our Federalism,' particularly in the area of
28 state taxation." *Fair Assessment in Real Estate Ass'n v.*
29 *McNary*, 454 U.S. 100, 103 (1981).

30

1 There is little precedent for applying the comity
2 doctrine in cases brought by Indian tribes. *Cf. Kiowa Tribe*
3 *of Oklahoma v. Lewis*, 777 F.2d 587, 592 (10th Cir. 1985)
4 (affirming the dismissal, on res judicata grounds, of an
5 issue that had already been litigated and appealed through
6 the entire Kansas state court system). The Sixth Circuit
7 has upheld the dismissal on comity grounds of a lawsuit
8 brought by a private Indian enterprise. *Chippewa Trading*
9 *Co. v. Cox*, 365 F.3d 538, 544-46 (6th Cir. 2004). However,
10 in so holding, the court explicitly relied on the fact that
11 the plaintiff “[wa]s not an ‘Indian tribe or band,’ as the
12 statutory exception [to the TIA] requires.” *Id.* at 545.
13 *Cf. Winnebago Tribe of Neb. v. Kline*, 297 F. Supp. 2d 1291,
14 1301 (D. Kan. 2004).

15 Two factors counsel against dismissing due to comity in
16 this case, brought by an actual Indian tribe and not yet
17 litigated in state court.⁶ First, there are strong federal
18 interests in determining the contours of the Indian Trader
19 Statutes and IGRA, two federal regulatory regimes that
20 entirely occupy (and preclude state legislation in) fields

⁶ If the Town had brought suit in state court to collect unpaid taxes prior to - instead of two years after - commencement of this action, the argument for federal deference to the pending state action would be stronger.

1 of indeterminate size. Where Congress has determined that
2 there are "strong policies . . . favoring a federal forum to
3 vindicate deprivations of federal rights," as in the context
4 of litigation brought by Indian tribes, federal courts
5 should exercise their lawful jurisdiction. *McNary*, 454 U.S.
6 at 119 (Brennan, *J.*, concurring). Second, federal courts
7 have regularly entertained Indian tribes' challenges to
8 state taxes. *See, e.g., Washington v. Confederated Tribes*
9 *of Colville Indian Reservation*, 447 U.S. 134, 138 (1980);
10 *Oneida Nation of N.Y. v. Cuomo*, 645 F.3d 154 (2d Cir. 2011).
11 Seeing no reason to depart from this precedent, we affirm
12 the denial of the motion to dismiss on comity grounds.⁷

13 **II. The State Tax Has Not Been Preempted**

14 On reaching the merits, the district court held that
15 the tax was preempted by the Indian Trader Statutes, by
16 IGRA, and pursuant to the *Bracker* balancing test. *Pequot*
17 *II*, 2012 WL 1069342, at *7-12. We conclude that neither the
18 Indian Trader Statute nor IGRA preempts the tax "expressly
19 or by plain implication," *Cotton Petroleum Corp. v. New*

⁷The State views the district court's decision not to dismiss due to comity as an abuse of discretion, despite the fact that such a decision would have made it the first federal court to dismiss an Indian tribe's challenge of a state tax on comity grounds.

1 Mexico, 490 U.S. 163, 175-76 (1989), and that the Town and
2 State interests in the tax, as applied to the vendors,
3 outweigh the Tribe and federal interests. The tax is not
4 preempted.

5 "In determining whether federal law preempts a state's
6 authority to regulate activities on tribal lands, courts
7 must apply standards different from those applied in other
8 areas of federal preemption.'" *Confederated Tribes of*
9 *Siletz Indians of Or. v. Oregon*, 143 F.3d 481, 486 (9th Cir.
10 1998) (quoting *Cabazon Band of Mission Indians v. Wilson*, 37
11 F.3d 430, 433 (9th Cir. 1994)). "Although a State will
12 certainly be without jurisdiction if its authority is
13 preempted under familiar principles of preemption, we
14 . . . d[o] not limit preemption of State laws affecting
15 Indian tribes to only those circumstances." *New Mexico v.*
16 *Mescalero Apache Tribe*, 462 U.S. 324, 333-34 (1983).

17 When examining whether a state tax is permissible, "the
18 initial and frequently dispositive question in Indian tax
19 cases is who bears the legal incidence of the tax, [as] the
20 States are categorically barred from placing the legal
21 incidence of an excise tax on a tribe or on tribal members
22 for sales made inside Indian country without congressional

1 authorization." *Wagnon v. Prairie Band Potawatomi Nation*,
2 546 U.S. 95, 101 (2005) (internal quotation, alterations,
3 and emphasis omitted). But here, the parties stipulate that
4 the legal incidence of the tax falls on the vendors. The
5 Supreme Court in *White Mountain Apache Tribe v. Bracker* laid
6 out a mode of analysis for courts to use "where, as here, a
7 State asserts authority over the conduct of non-Indians
8 engaging in activity on the reservation." 448 U.S. 136, 145
9 (1980); see also *Wagnon*, 546 U.S. at 102. Under *Bracker*, a
10 state tax may be invalid because it is "pre-empted by
11 federal law," or because it "unlawfully infringe[s] on the
12 right of reservation Indians to make their own laws and be
13 ruled by them." *Id.* at 143 (internal quotation marks
14 omitted).

15 In our view, neither the Indian Trader Statutes nor
16 IGRA indicates congressional intent to bar the tax, and
17 subjecting the "tax scheme over on-reservation, non-member
18 activities to 'a particularized inquiry into the nature of
19 the state, federal, and tribal interests at stake'" leads us
20 to conclude that the tax is a valid exercise of State
21 authority. *Oneida Nation*, 645 F.3d at 165 (quoting *Bracker*,
22 448 U.S. at 145).

1 **A. The Indian Trader Statutes Do Not Bar This Tax**

2 The Tribe argues that the Indian Trader Statutes, 25
3 U.S.C. §§ 261 *et seq.*, bar any state regulation in “the
4 field of transactions with Indians occurring on
5 reservations.” *Central Machinery Co. v. Ariz. State Tax*
6 *Comm’n*, 448 U.S. 160, 165 (1980). Adopting a broad view of
7 the Indian Trader Statutes, the district court held that
8 “the state tax that is imposed upon the non-Indian entities
9 for the . . . leased equipment is preempted by the Indian
10 Trader Statutes.” *Pequot II*, 2012 WL 1069342, at *7. We
11 disagree.⁸

12 “Throughout this Nation’s history, Congress has
13 authorized ‘sweeping’ and ‘comprehensive federal regulation’
14 over persons who wish to trade with Indians and Indian
15 tribes.” *Dep’t of Taxation and Fin. of N.Y. v. Milhelm*
16 *Attea & Bros., Inc.*, 512 U.S. 61, 70 (1994) (quoting *Warren*
17 *Trading Post Co. v. Ariz. State Tax Comm’n*, 380 U.S. 685,

⁸ The State and Town argue that IGRA has displaced the Indian Trader Statutes with respect to gaming operations. While this argument has some force, given that IGRA does provide “room” for state regulatory authority over gaming, *cf. Central Machinery*, 448 U.S. 166 (“no room” for state regulation under Indian Trader Statutes), we need not address that argument here. Assuming *arguendo* that the Indian Trader Statutes apply, they do not preempt this generally applicable property tax assessed on non-Indian property.

1 687-89 (1965)). This regulation includes the Indian Trader
2 Statutes, passed in 1834⁹ "to protect Indians from becoming
3 victims of fraud in dealings with persons selling goods."
4 *Central Machinery*, 448 U.S. at 165. These regulations grant
5 the federal government "sole power and authority . . . to
6 make such rules and regulations as [it] may deem just and
7 proper specifying the kind and quantity of goods and the
8 prices at which such goods shall be sold to the Indians."
9 25 U.S.C. § 261. They also prohibit unrecognized traders
10 (such as AC Coin and WMS)¹⁰ from trading with Indians and
11 require "[t]hat no white person shall be employed as a clerk
12 by any Indian trader . . . unless first licensed so to do by
13 the Commissioner of Indian Affairs." 25 U.S.C. § 264.

14 The Supreme Court initially interpreted these statutes
15 very broadly. See *Milhelm Attea*, 512 U.S. at 75; *Warren*
16 *Trading Post*, 380 U.S. 685. The district court relied on
17 this interpretation, holding that wherever a product is
18 bought, sold, or leased by a tribe on-reservation, state

⁹ For a detailed discussion of the history of the Indian Trader Statutes and related statutes and laws, see *Warren Trading Post v. Arizona State Tax Commission*, 380 U.S. at 687-90.

¹⁰ Although invited to do so by the parties, we decline to examine whether AC Coin and WMS are in criminal violation of the Indian Trader Statutes by virtue of the leases at issue.

1 taxes may not be applied. *Pequot II*, 2012 WL 1069342, at
2 *7. However, in *Milhelm Attea*, the Supreme Court backed away
3 from this all-encompassing interpretation: "[a]llthough
4 language in *Warren Trading Post* suggests that no state
5 regulation of Indian traders can be valid, our subsequent
6 decisions have undermined that proposition." 512 U.S. at 71
7 (internal alteration and quotation marks omitted); see also
8 *Cotton Petroleum*, 490 U.S. at 175. "Indian traders are not
9 wholly immune from state regulation that is reasonably
10 necessary to the assessment or collection of lawful state
11 taxes." *Milhelm Attea*, 512 U.S. at 75.

12 Instead of "depend[ing] on 'rigid rules' or on
13 'mechanical or absolute conceptions of state or tribal
14 sovereignty,'" preemption under the Indian Trader Statutes
15 involves "'a particularized inquiry into the nature of the
16 state, federal, and tribal interests at stake . . . to
17 determine whether, in the specific context, the exercise of
18 state authority would violate federal law.'" *Milhelm Attea*,
19 512 U.S. at 73 (quoting *Bracker*, 448 U.S. at 142, 145)
20 (alteration omitted). Thus where they are implicated, the
21 Indian Trader Statutes require the *Bracker* balancing
22 analysis.

1 The ability of a state to apply generally-applicable
2 taxes to non-Indians performing otherwise-taxable functions
3 on an Indian reservation is well established. *Oneida*
4 *Nation*, 645 F.3d at 167; *Milhelm Attea*, 512 U.S. at 73;
5 *Cotton Petroleum*, 490 U.S. at 191. Neither the Tribe's
6 interests in economic development and fair dealing nor the
7 federal interests in protecting the Tribe by monitoring and
8 regulating its commercial partners are implicated by
9 Connecticut's generally-applicable personal property tax.
10 See *Colville*, 447 U.S. at 156-57. That is particularly true
11 here, where the incidence of the generally applicable tax
12 falls on the non-Indian's *ownership of property*, rather than
13 on the *transaction* between the Tribe and the non-Indian.
14 Cf. *Central Machinery*, 448 U.S. at 165 (Indian trader law
15 "pre-empts the field of *transactions* with Indians" (emphasis
16 added)). As a result, the Indian Trader Statutes do not
17 preempt the personal property tax "expressly or by plain
18 implication." *Cotton Petroleum*, 490 U.S. at 175-76.

19 **B. IGRA Does Not Bar the Tax**

20 The district court also determined that IGRA preempts
21 the tax. *Pequot II*, 2012 WL 1069342, at *7-9. The Tribe is
22 of the view that IGRA completely preempts all state

1 legislation affecting the field of gaming. While the Tribe
2 is correct that IGRA preempts certain state regulations
3 affecting the governance of gaming, the tax at issue here
4 does not affect the Tribe's "governance of gaming" on its
5 reservation, *see, e.g., Barona Band*, 528 F.3d at 1192.
6 Therefore, we conclude that IGRA does not preempt the tax.

7 **1. The Plain Text of IGRA Does Not Bar the Tax**

8 The plain text of IGRA does not bar the tax. IGRA
9 insists that "nothing in this section shall be interpreted
10 as conferring upon a State or any of its political
11 subdivisions authority to impose any tax, fee, charge, or
12 other assessment upon an Indian tribe or upon any other
13 person or entity authorized by an Indian tribe to engage in
14 a class III activity." 25 U.S.C. § 2710(d)(4). IGRA does
15 confer the authority, however, for states and tribes to
16 include provisions in the Gaming Procedures, "relating to
17 . . . assessment[s] by the State of . . . amounts []
18 necessary to defray the costs of regulating [Class III]
19 activity." 25 U.S.C. § 2710(d)(3)(C)(iii).

20 In this case, the Gaming Procedures are silent as to
21 the legality of Connecticut's generally-applicable personal
22 property tax. Neither the State nor the Tribe sought to

1 include language relating to the personal property tax in
2 the Gaming Procedures. As a result, neither the Gaming
3 Procedures nor, by extension, IGRA explicitly forbids (or
4 permits) the State to apply its personal property tax to the
5 vendors.

6 2. IGRA Does Not Bar the Tax by Plain Implication

7 IGRA does not explicitly bar the tax, but the Tribe
8 asserts that the provisions of IGRA demonstrate
9 congressional intent to exempt non-Indian lessors of gaming
10 equipment from a generally-applicable state property tax
11 levied on property located within a reservation even though
12 that tax does not produce acute economic effects that
13 interfere with the relevant gaming practices. IGRA, passed
14 in 1988 in response to the Supreme Court's decision in
15 *California v. Cabazon Band of Mission Indians*, 480 U.S. 202
16 (1987),¹¹ was "intended to expressly preempt the field in
17 the governance of gaming activities on Indian lands.
18 Consequently, Federal courts should not balance competing

¹¹ Although the *Cabazon* decision is frequently cited as the immediate cause of IGRA, Congress had been weighing similar bills for four years prior. All of these bills were designed to "establish a federal scheme that would pre-empt state regulation of Indian gaming." Alex Tallchief Skibine, *The Indian Gaming Regulatory Act at 25: Successes, Shortcomings, and Dilemmas*, 60 FED. LAWYER 35, 36 (Apr. 2013).

1 Federal, State, and tribal interests to determine the extent
2 to which various gaming activities are allowed.'" *Gaming*
3 *Corp. of Am. v. Dorsey & Whitney*, 88 F.3d 536, 544 (8th Cir.
4 1996) (quoting S. Rep. No. 446, 100th Cong., 2d Sess. 6
5 (1988)). However, "[n]ot every contract that is merely
6 peripherally associated with tribal gaming is subject to
7 IGRA's constraints." *Casino Res. Corp. v. Harrah's Entm't,*
8 *Inc.*, 243 F.3d 435, 439 (8th Cir. 2001).

9 In determining whether a state tax imposed on a third
10 party is preempted by IGRA's occupation of the "governance
11 of gaming" field, courts have been quick to dismiss
12 challenges to generally-applicable laws with *de minimis*
13 effects on a tribe's ability to regulate its gambling
14 operations. For example, courts have held that IGRA's
15 preemptive scope is not implicated in cases involving gaming
16 management and service contracts with a tribe, *id.* at 438-
17 39; contracts to acquire materials to build a casino, *Barona*
18 *Band*, 528 F.3d at 1192; and release of detailed
19 investigative reports on the management of gaming, *Siletz*,
20 143 F.3d at 487. Similarly, we conclude that any preemption
21 of the "field" of gaming regulations is not at issue here,
22 where the state tax on property is not targeted at gaming.

1 Instead, we apply the *Bracker* framework to determine whether
2 the particular application of this tax conflicts with
3 federal law. See *Barona Band*, 528 F.3d at 1193 (“If we were
4 to accept the Tribe’s argument that IGRA itself preempts the
5 state taxation of non-Indian contractors working on tribal
6 territory, we would effectively ignore *Bracker* and its
7 progeny.”).

8 The Tribe contends that, in order to assure the
9 legality of a tax of general application, the State was
10 required to include language in the Gaming Procedures
11 reserving the right to apply the property tax to slot
12 machine vendors. “[U]nder [IGRA], the only method by which
13 a state can apply its general civil laws to gaming is
14 through a tribal-state compact.” *Gaming Corp.*, 88 F.3d at
15 546. But under IGRA, mere ownership of slot machines by the
16 vendors does not qualify as gaming, and taxing such
17 ownership therefore does not interfere with the “governance
18 of gaming.”

19 Although the Gaming Procedures outline the Tribe’s use
20 of gaming services, nothing in the Gaming Procedures
21 indicates that it delineates all of the rights and
22 responsibilities of vendors engaged in gaming services.

1 "Gaming services" in the Gaming Procedures is defined as
2 "the providing of any goods or services to the Tribe
3 directly in connection with the operation of Class III
4 gaming in a gaming facility, including . . . manufacture,
5 distribution, maintenance or repair of gaming equipment."
6 Gaming Procedures § 2(m).¹² While the Gaming Procedures
7 prohibit State taxation of "any Tribal gaming operation"
8 other than those explicitly permitted, Gaming Procedures
9 § 17(f), they are silent as to taxes imposed on a third
10 party's ownership of slot machines on the Tribe's land,
11 which, as explained above, is not "gaming."

12 Absent the Gaming Procedures, IGRA would not preempt
13 the tax. With the Gaming Procedures, which are silent on
14 the question of state taxation of the vendors' property, the
15 analysis is unchanged.

16 IGRA does not directly preempt, by its text or by plain
17 implication, the imposition of Connecticut's generally-
18 applicable personal property tax. It also does not

¹² "Gaming equipment" is separately defined to mean "any machine or device which is specially designed or manufactured for use in the operation of any Class III gaming activity." Gaming Procedures § 2(i). The "Gaming services" definition therefore includes the services of the vendors, who provide slot machines to the Tribe to be used as class III gaming devices.

1 explicitly authorize the tax; the *Bracker* balancing test is
2 therefore in play.

3 **C. The Tax Is Not Barred under *Bracker***

4 Even when a state law is not barred by the text or
5 plain implication of a federal statute, "it may unlawfully
6 infringe 'on the right of reservation Indians to make their
7 own laws and be ruled by them.'" *Bracker*, 448 U.S. at 142
8 (quoting *Williams v. Lee*, 358 U.S. 217, 220 (1959)); see
9 also *Wilson*, 37 F.3d at 433. It may also unlawfully impinge
10 upon the objectives of federal legislation. See *Bracker*,
11 448 U.S. at 149. Such a tax is impermissible if "the
12 imposition of the tax fails to satisfy the *Bracker* interest-
13 balancing test." *Wagon*, 546 U.S. at 102.

14 The *Bracker* test is "a flexible pre-emption analysis
15 sensitive to the particular facts and legislation involved."
16 *Cotton Petroleum*, 490 U.S. at 176. We examine "federal
17 statutes and treaties . . . in light of 'the broad policies
18 that underlie them and the notions of sovereignty that have
19 developed from historical traditions of tribal
20 independence.'" *Ramah*, 458 U.S. at 838 (quoting *Bracker*, 448
21 U.S. at 144-45). We then weigh the "'independent but
22 related' barriers" of (1) possible pre-emption under federal

1 statutes, and (2) "interfere[nce] with [a] tribe's ability
2 to exercise its sovereign functions." *Id.* at 837 (quoting
3 *Bracker*, 448 U.S. at 142). Finally, "[t]he State's interest
4 in exercising its regulatory authority over the activity in
5 question must be examined and given appropriate weight."
6 *Id.* at 838. In balancing interests, "ambiguities in federal
7 law should be construed generously, and federal pre-emption
8 is not limited to those situations where Congress has
9 explicitly announced an intention to pre-empt state
10 activity." *Id.*

11 The Town and State contend that the balancing test does
12 not apply and, in the alternative, that the Town and State
13 interests at issue are more significant than the Tribal and
14 federal interests at play. We find, first, that the *Bracker*
15 test applies, and second, that it balances in favor of the
16 Town and State.

17 **1. The *Bracker* Test Applies**

18 The Town makes two arguments in support of its claim
19 that the *Bracker* test does not apply: (1) the taxed
20 "transaction" takes place off of the reservation, and (2)
21 any needed balancing has already been conducted by the
22 Supreme Court in *Thomas v. Gay*, 169 U.S. 264 (1898).
23 Neither argument is persuasive.

1 First, "[t]he *Bracker* interest-balancing test has never
2 been applied where . . . the State asserts its taxing
3 authority over non-Indians off the reservation." *Wagon*,
4 546 U.S. at 110. In *Wagon*, the Supreme Court held that a
5 fuel tax imposed on distributors who received fuel off-
6 reservation and delivered it to the Prairie Band Potawatomi
7 Nation on-reservation was imposed on off-reservation
8 transactions not subject to *Bracker*. *Id.* at 101-110. The
9 tax at issue in *Wagon* applied regardless of the disposition
10 of the fuel because it was triggered by the off-reservation
11 receipt of fuel. Here, no relevant transaction occurs off-
12 reservation. Instead, the tax is levied upon slot machines
13 because they are located in the State of Connecticut - here,
14 on the Tribe's reservation. Conn. Gen. Stat. § 12-43.

15 Second, the Town points to several late nineteenth-
16 century cases ("Non-Indian Lessee Cases") in which the
17 Supreme Court upheld taxes on property of non-Indians who
18 resided on Indian reservations. In *Thomas*,¹³ the Court
19 upheld "a tax put upon the cattle of the [non-Indian]
20 lessees [as] too remote and indirect to be deemed a tax upon

¹³ In other cases cited by the parties, the fact patterns and analysis mirror *Thomas*. See *Wagoner v. Evans*, 170 U.S. 588 (1898); *Utah & N. Ry. Co. v. Fisher*, 116 U.S. 28 (1885); *Truscott v. Hurlbut Land & Cattle Co.*, 73 F. 60 (9th Cir. 1896).

1 the lands or privileges of the Indians." 169 U.S. at 273.
2 Expressly setting aside the argument that "the value of the
3 lands for such purposes would fluctuate or be destroyed
4 altogether" by the tax, *id.*, the Court declined to engage in
5 a structured analysis or to weigh the tribal against the
6 State interests.

7 *Thomas* and the Non-Indian Lessee Cases are similar to
8 this case insofar as the Court addressed state taxation with
9 the incidence of the tax falling within Indian land despite
10 the absence of a direct tax on the Indians. *Cf. Colville*,
11 447 U.S. at 183-86 (Rehnquist, *J.*, concurring). However,
12 the law has changed since the 1890s; the Supreme Court has
13 clarified the ways in which courts should evaluate
14 assertions of preemption of state taxes. *Bracker*, 448 U.S.
15 at 145. "Each case 'requires a particularized examination
16 of the relevant state, federal, and tribal interests.'" *Cotton Petroleum*,
17 490 U.S. at 176 (quoting *Ramah*, 458 U.S.
18 at 838). Moreover, Congress has established the importance
19 of the specific federal interests at issue by enacting
20 protective legislation such as IGRA. *Cf. Thomas*, 169 U.S.
21 at 274-75 (conceding "[t]he unlimited power of [C]ongress to
22 deal with the Indians" but noting that the tax at issue

1 would not "be an interference with congressional power").
2 Although *Thomas* informs our inquiry, we cannot forgo
3 *Bracker's* fact-specific analysis because the Supreme Court
4 decided a related question 115 years ago.

5 **2. The State and Town Interests Outweigh the**
6 **Federal and Tribal Interests**

7
8 **i. The Federal Interest**

9 For the purposes of the *Bracker* test, determining
10 relevant federal interests "is primarily an exercise in
11 examining congressional intent, [and] the history of tribal
12 sovereignty serves as a necessary 'backdrop' to that
13 process." *Cotton Petroleum*, 490 U.S. at 176. IGRA,¹⁴
14 described at times as Congress's "strongest and most
15 explicit statement in favor of tribal economic development,"
16 Matthew L.M. Fletcher, *The Supreme Court and Federal Indian*
17 *Policy*, 85 NEB. L. REV. 121, 146 (2006), "is intended to
18 promote tribal [economic] development, prevent criminal
19 activity related to gambling, and ensure that gaming
20 activities are conducted fairly." *Rincon Band of Luiseno*
21 *Mission Indians of the Rincon Reservation v. Schwarzenegger*,

¹⁴ Because the tax in no way implicates the federal interest in ensuring that Tribes are not swindled in unfair transactions, the federal interests reflected in the Indian Trader Statutes are irrelevant. We therefore focus our inquiry on the federal interests reflected in IGRA.

1 602 F.3d 1019, 1034 (9th Cir. 2010), and also to "ensure
2 that the Indian tribe is the primary beneficiary of the
3 gaming operation." 25 U.S.C. § 2702(1)-(2). Nothing within
4 IGRA reveals congressional intent to exempt non-Indian
5 suppliers of gaming equipment from generally applicable
6 state taxes that would apply in the absence of the
7 legislation. IGRA addresses state taxation, 25 U.S.C.
8 § 2710(d)(4),¹⁵ without prohibiting taxes like this personal
9 property tax. *See, e.g., Container Corp. of Am. v.*
10 *Franchise Tax Bd.*, 463 U.S. 159, 196-97 (1983) (holding that
11 if federal legislation speaks to a particular tax without
12 prohibiting it, this undermines a claim that the tax is
13 preempted).

14 The tax, imposed on non-Indian vendors, is likely to
15 have a minimal effect on the Tribe's economic development.
16 While IGRA seeks to limit criminal activity at the casinos,
17 nothing in Connecticut's tax makes it likely that Michael
18 Corleone will arrive to take over the Tribe's operations.

¹⁵ Section 2710(d)(4) provides in relevant part that

nothing in this section shall be interpreted as conferring upon a State or any of its political subdivisions authority to impose any tax, fee, charge, or other assessment upon an Indian tribe or upon any other person or entity authorized by an Indian tribe to engage in a class III activity.

1 Moreover, IGRA presented an opportunity for Congress to
2 preempt taxes exactly like this one; Congress chose to limit
3 the scope of IGRA's preemptive effect to the "governance of
4 gaming." *Gaming Corp.*, 88 F.3d at 550. As imposed on the
5 owners of vending machines leased by the Tribe, the tax
6 entitles the State to a tangential benefit from the Tribe's
7 gaming operation, but it does not prevent "the Indian tribe
8 [from being] the *primary* beneficiary of the gaming
9 operation." 25 U.S.C. § 2702(2) (emphasis added). The tax
10 therefore has only a minimal effect on federal interests.

11 **ii. The Tribal Interest**

12 The tax implicates two Tribal interests - economic
13 development and sovereignty over the reservation - but the
14 parties dispute the magnitude of the tax's impact on each.

15 The economic effect of the tax on the Tribe is
16 minimal.¹⁶ From 2004 to 2011, AC Coin had paid \$69,894 in

¹⁶ Both parties claim that we should disregard the magnitude of the tax in evaluating its economic effect on the Tribe, albeit for different reasons.

The Tribe asserts that any tax, regardless of its size, is impermissible. The Tenth Circuit has held that, under some circumstances, preemption analysis "cannot turn on the severity of a direct economic burden on tribal revenues caused by the state tax." *Indian Country, U.S.A., Inc. v. Okla. Tax Comm'n*, 829 F.2d 967, 986 n.9 (10th Cir. 1987). In *Indian Country*, the State taxed Indian sales of bingo tickets; the court held that IGRA's regulation of gaming itself is sufficiently comprehensive to prevent any tax on casino sales not accounted for in the

1 personal property tax. After several years, at the Tribe's
2 urging, AC Coin permitted the Tribe to reimburse it for this
3 tax while this lawsuit was pending. Assuming comparable
4 taxes on WMS,¹⁷ this leads to an approximate total tax of

compact. *Id.* In *Bracker*, the state sought to impose a motor carrier license tax and a use fuel tax on a subcontractor of a tribe's timber operations. 448 U.S. at 139. The taxes burdened contracts for the sale of timber that were often "drafted by employees of the Federal Government," and the federal scheme Indian timber regulations were "so pervasive" that there was "no room for the[] taxes in the comprehensive federal regulatory scheme." *Id.* at 147, 148. While IGRA may prevent any tax on gaming itself, a tax on personal property possessed by a non-Indian on the reservation does not fall within IGRA's pervasive reach. *Cf. Casino Res. Corp.*, 243 F.3d at 439; *Barona Band*, 528 F.3d at 1192.

The Town and the State assert that the tax has no actual economic effect on the Tribe. Indeed, the record reflects that "the tax is not a factor in lease pricing" and that the vendors do not seek reimbursement from Tribal lessees. Tribe Rule 56(a)(2) Statement 12-14. Insofar as the Tribe challenges this assessment, it would constitute a "genuine dispute as to [a] material fact," Fed. R. Civ. P. 56(a); however, we construe the record as devoid of genuine dispute on this question, insofar as any effect on the Tribe is minimal compared to the other relevant interests. Nevertheless, the Tribe did, pursuant to industry standard lease agreements, assume contractual *liability* for the taxes incurred by the vendors. Deane Decl. 3-4. The extent of the legal liability that the Tribe theoretically incurred is relevant, though not particularly weighty, to the calculation of the Tribe's interest, even if the Tribe's *actual* cost associated with the tax hinged upon the vendors' decision to seek the reimbursement to which they were lawfully entitled. See *Denney v. Deutsche Bank AG*, 443 F.3d 253, 265 (2d Cir. 2006) (listing "run[ning] the risk of being assessed a [cost]" as a cognizable injury, even if it is not clear that the debtor will seek repayment).

¹⁷ The actual amounts owed by WMS appear to vary substantially from year to year, but average approximately \$10,000 for the years on record.

1 \$20,000 per annum.¹⁸ Although this is a substantial sum, it
2 constitutes less than two tenths of one percent of the
3 \$2,300,000 (AC Coin) and \$12,900,000 (WMS) in revenue per
4 annum that the vendors anticipate from their dealings with
5 the Tribe.

6 As of September 2011, the Tribe had invested over \$1.42
7 billion in its gaming operations at Foxwoods. Many of the
8 vendors' most popular games are available by lease only, and
9 the Tribe has elected to pursue leases of a significant
10 duration; however, the challenged tax does not significantly
11 compromise the profitability of these leases. The Tribe's
12 payments to the State of twenty-five percent of its gross
13 operating revenues from video facsimile games have exceeded
14 \$1.5 billion since 2003. Even if the Tribe were forced to
15 reimburse the vendors, \$20,000 per year would not pose a
16 substantial threat to the revenue the Tribe derives from the
17 vendors' games, and it does not make the State the "primary
18 beneficiary" of even this part of the Tribe's gaming
19 operation. The tax's economic effect on the Tribe is less
20 than minimal.

¹⁸ The record also reflects that other slot machine vendors, including International Gaming Technology and Bally Technologies, regularly pay personal property taxes in Ledyard, but does not suggest how much they pay.

1 The tax has a moderate effect on tribal sovereignty.
2 “A tribe’s power to exclude nonmembers entirely or to
3 condition their presence on the reservation is . . . well
4 established.” *Mescalero Apache*, 462 U.S. at 333. However,
5 “[w]e long ago departed from the ‘conceptual clarity of Mr.
6 Chief Justice Marshall’s view in *Worcester* [*v. Georgia*, 31
7 U.S. 515 (1832)],” “that Indian tribes were wholly distinct
8 nations within whose boundaries ‘the laws of a State can
9 have no force.’” *Id.* at 331 (quoting *Worcester*, 31 U.S. at
10 561) (alterations omitted). The State’s personal property
11 tax, as imposed on the slot machines located entirely on-
12 reservation, overlaps with the Tribe’s ability to set the
13 restrictions to property rights in its sovereign territory.
14 “[U]nder some circumstances a State may exercise concurrent
15 jurisdiction over non-Indians acting on tribal
16 reservations.” *Id.* at 333 (citations omitted). Still, this
17 encroachment into an area of tribal sovereignty, however
18 modest, is a recognized injury that must be considered in a
19 *Bracker* balancing.

20 **iii. The State and Town Interests**

21 In evaluating a State’s economic interests for the
22 purpose of *Bracker* balancing, we look for “a nexus between

1 the taxed activity and the government function
2 provided. . . ." *Barona Band*, 528 F.3d at 1193; see also
3 *Ute Mountain Ute Tribe v. Rodriguez*, 660 F.3d 1177, 1201
4 (10th Cir. 2011). In *Mescalero*, the challenged state
5 regulation targeted hunting in particular; the Supreme Court
6 considered State interests to be weaker because the State
7 did not contribute to hunting or wildlife on the
8 reservation. 462 U.S. at 341. Similarly, in *Ute Tribe*, the
9 Tenth Circuit noted that the state taxes relating to
10 extraction of oil and gas would be more defensible if the
11 state used the tax's proceeds to provide related services to
12 the Tribe. 660 F.3d at 1201.

13 "There is nothing unique in the nature of a [generally-
14 applicable] tax . . . that requires a different analysis."
15 *Ramah*, 458 U.S. at 843. However, for a generally-applicable
16 tax, a court may credit the services provided by the State
17 to the Tribe more generally as "related" to the tax. In
18 *Cotton Petroleum*, 490 U.S. at 185, 189-91, the Supreme Court
19 permitted application of a generalized tax on oil and gas
20 production to on-reservation production, despite "evidence
21 that tax payments by reservation lessees far exceed[ed] the
22 value of services provided by the State to the lessees, or

1 more generally, to the reservation as a whole." *Id.* at 189.
2 The Court reasoned that the State could point to "[t]he
3 intangible value of citizenship in an organized society
4 [that] is not easily measured in dollars and cents." *Id.*
5 It also pointed out the "nightmarish administrative burdens"
6 that would arise from requiring parity between state taxes
7 and state services. *Id.* at 185 n.15.

8 In this case, the Town has a cognizable economic
9 interest in imposing the tax. The Supreme Court has
10 recognized "the dependency of state budgets on the receipt
11 of local tax revenues" and "appreciate[s] the difficulties
12 encountered by [local governments] should a substantial
13 portion of [their] rightful tax revenue be tied up in"
14 litigation. *Rosewell v. LaSalle Nat'l Bank*, 450 U.S. 503,
15 527-28 (1981). The Town's economic interest therefore
16 exceeds the value of the taxes on slot machines, insofar as
17 a ruling favorable to the Tribe could invite other non-
18 Indian owners of personal property on the reservation to
19 initiate similar actions. According to the Town, the
20 anticipated litigation from such an event would tie up
21 hundreds of thousands of dollars per year. Hopkins Decl.
22 ¶ 16. Moreover, if the legality of the tax hinges upon the

1 extent to which the taxed property is used by the Tribe in
2 connection with Class III gaming - or other gaming at
3 Foxwoods - the Town would need to take careful account of
4 the use to which property owned by non-Indians on the
5 reservation was put. This additional level of analysis
6 would further frustrate the Town's revenue collection and
7 would render the State's tax more difficult and expensive to
8 administer.

9 There is a nexus between the tax and the services that
10 the Town provides. The Town funds "the education and
11 bussing [sic] of the Tribe's children" and "[t]he
12 maintenance of the roads to the Reservation," *inter alia*.
13 *Pequot II*, 2012 WL 1069342, at *12. A well-maintained road
14 system that brings in the customers is the lifeblood of the
15 Tribe's gaming activities. That the Tribe benefits from
16 generalized governmental functions performed by the Town
17 reinforces the validity of generalized taxes imposed by the
18 Town on third parties with whom the Tribe elects to do
19 business. *Cotton Petroleum*, 490 U.S. at 189. The Town's
20 economic interest in the generally applicable tax is
21 therefore connected, in some respect, to the generally
22 available services that it provides.

1 The State has an interest in the uniform application of
2 its tax code. Requiring the State to consider additional
3 factors to determine the code's applicability would make it
4 less predictable and more difficult to administer.
5 Furthermore, "'states have a valid interest in ensuring
6 compliance with lawful taxes that might easily be evaded.'" *Oneida Nation*, 645 F.3d at 165 (alteration omitted) (quoting
7 *Milhelm Attea*, 512 U.S. at 73). The Tribe's decision to
8 contractually obligate the vendors not to comply with any
9 future personal property tax assessments required by State
10 law undermines the State's sovereignty in a meaningful way.
11 The likelihood of additional affronts to State sovereignty
12 increases as the tax's application becomes more contingent
13 upon the use to which non-Indian third parties put on-
14 reservation property. The tax system already relies upon
15 the honor code; refusal to pay taxes "erodes the public's
16 perception of the equity of the system and has the potential
17 of resulting in non-compliance with the reporting
18 requirement." Hopkins Decl. ¶ 10.

20 Finally, a State has a separate sovereign interest in
21 being in control of, and able to apply, its laws throughout
22 its territory. *Cotton Petroleum*, 490 U.S. at 188. That

1 interest is diminished where, as here, the sole application
2 of the state law at issue is on the Tribe's reservation,
3 which occupies a unique status within the State. Finally,
4 if there is evidence of arbitrage or Tribal efforts to
5 structure deals so as to avoid the State tax, the State's
6 interests are stronger. See *Barona Band*, 528 F.3d at 1193-
7 94.

8 **iv. Analysis**

9 The Town and State have more at stake than the Tribe.
10 The economic effect of the tax on the Tribe is negligible;
11 its economic value to the Town is not. The Tribe's
12 sovereign interest in being able to exercise sole taxing
13 authority over possession of property is insufficient to
14 outweigh the State's interest in the uniform application of
15 its generally-applicable tax, particularly where, as here,
16 there is room for both State and Tribal taxation of the same
17 activity. See *Cotton Petroleum*, 490 U.S. at 188-89.
18 Ultimately, applying a tax that covers all property in the
19 State to non-Indian property located on-reservation is
20 minimally intrusive. We find the Supreme Court's holding in
21 *Cotton Petroleum* to be highly instructive. As in that case,
22 [t]his is not a case in which the State has had
23 nothing to do with the on-reservation activity, save

1 tax it. Nor is this a case in which an unusually
2 large state tax has imposed a substantial burden on
3 the Tribe. It is, of course, reasonable to infer
4 that the [State] taxes have at least a marginal
5 effect on the [price of] on-reservation
6 leases Any impairment to the federal policy
7 favoring the [supremacy of the Tribe's role in
8 gaming] that might be caused by these effects,
9 however, is simply too indirect and too insubstantial
10 to support [the Tribe's] claim of pre-emption. To
11 find pre-emption of state taxation in such indirect
12 burdens on this broad congressional purpose, absent
13 some special factor such as those present in *Bracker*
14 and *Ramah Navajo School Bd.*, would be to return to
15 the pre-1937 doctrine of intergovernmental tax
16 immunity. Any adverse effect on the Tribe's finances
17 caused by the taxation of a private party contracting
18 with the Tribe would be ground to strike the tax.
19 Absent more explicit guidance from Congress, we
20 decline to return to this long-discarded and
21 thoroughly repudiated doctrine.

22
23 490 U.S. at 186-87.

24 We recognize that this is arguably a close case.
25 However, the Tribe's generalized interests in sovereignty
26 and economic development are not significantly impeded by
27 the State's generally-applicable tax; neither are the
28 federal interests protected in IGRA. The Town has moderate
29 economic and administrative interests at stake, and the
30 affront to the State's sovereignty on one hand approximates
31 the affront to the Tribe's sovereignty on the other. The
32 balance of equities here favors the Town and State.

1 **3. Tribal Sovereignty Does Not Bar the Tax**

2 The Tribe alleges that, independent of all else, tribal
3 sovereignty poses another hurdle to the imposition of the
4 tax. The Tribe relies on two categories of cases: the
5 *Bracker* line, and the *Worcester* line. However, *Bracker* and
6 its progeny only cite tribal sovereignty among the interests
7 in a balancing test where the incidence of a tax does not
8 fall on the Tribe. *See, e.g., Bracker*, 448 U.S. at 142-45;
9 *see also Wagon*, 546 U.S. at 101-02. Furthermore, cases
10 such as *Worcester*, 31 U.S. 515, contain exactly the sort of
11 “mechanical or absolute conceptions of state or tribal
12 sovereignty” repudiated by *Bracker*. 448 U.S. at 145; *see*
13 *also Mescalero Apache*, 462 U.S. at 331. Neither supports
14 the Tribe’s claim. Tribal sovereignty is an important
15 consideration for a court weighing interests in the *Bracker*
16 test, but it is insufficient in itself to bar the State’s
17 generally applicable tax imposed on non-Indians’ ownership
18 of on-reservation personal property.

1 **Conclusion**

2 The district court was not barred – by Article III, the
3 TIA, or comity doctrines – from reaching the merits of this
4 case. However, the district court erred in determining that
5 Connecticut’s generally-applicable personal property tax was
6 barred by the Indian Trader Statutes, by IGRA, and pursuant
7 to the *Bracker* balancing test.

8 For the foregoing reasons, the opinion and order of the
9 district court is **REVERSED** and the case is **REMANDED** with
10 instructions to enter summary judgment in favor of
11 Appellants.