6 T.C. 621 (1946)

Income derived by Native American Indians from exercising treaty-guaranteed fishing rights on their reservation is subject to federal income tax, absent an explicit exemption in the treaty or a related statute.

Summary

The Strom case addresses whether income derived from commercial fishing by members of the Quinaielt Tribe, exercising rights guaranteed by an 1855 treaty, is subject to federal income tax. The Tax Court held that absent a specific exemption in the treaty, the income is taxable because the Indians are citizens of the United States and the income is under their unrestricted control. The court distinguished between taxing the right to fish (impermissible) and taxing the income derived from exercising that right (permissible). This decision established that treaty rights do not automatically confer tax immunity on income derived from those rights.

Facts

Charles and Flora Strom, restricted members of the Quinaielt Tribe residing on the Quinaielt Reservation in Washington, operated a commercial fishing business on the Quinaielt River. Their right to fish there was guaranteed by an 1855 treaty between the United States and the Quinaielt Tribe. The tribe allocated specific fishing locations to its members, and the Stroms were allocated location No. 7 in 1941. They sold their catch to the Mohawk Packing Co., an approved Indian trader, realizing a net income of $3,316.70. The Stroms had never received certificates of competency and were considered wards of the federal government by the Office of Indian Affairs.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in the Stroms' 1941 income tax. The Stroms petitioned the Tax Court, arguing that taxing their fishing income violated their treaty rights. The Tax Court ruled in favor of the Commissioner, holding the income was taxable. The decision was not appealed further.

Issue(s)

Whether income derived by restricted members of the Quinaielt Tribe from the sale of fish caught within their reservation, a right guaranteed by treaty, is subject to federal income tax.

Holding

No, because the treaty does not explicitly exempt such income from taxation, and the income is in the petitioners' unrestricted possession, allowing them to use it as

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they see fit.

Court’s Reasoning

The Tax Court reasoned that the general language of the Internal Revenue Code, which taxes the income of “every individual” from “any source whatever,” applies to Native Americans unless an explicit exemption exists. Quoting *Choteau v. Burnet, 283 U.S. 691 (1931)*, the Court emphasized that the intent of Congress was to levy the tax broadly, and no statute expressly exempted the Stroms’ income. The court acknowledged the principle that treaties should be liberally construed in favor of Native Americans but found no basis for implying a tax exemption where none was explicitly provided. The court distinguished between the right to fish, which the treaty protected, and the income derived from exercising that right, which was subject to tax. The court stated, “The disputed income tax is not a burden upon the *right to fish*, but upon the income earned through the exercise of that right.” They also referenced *Superintendent of Five Civilized Tribes v. Commissioner, 295 U.S. 418 (1935)*, noting that wardship alone does not automatically grant immunity from taxation.

Practical Implications

The *Strom* decision clarifies that treaty rights guaranteeing Native American tribes the right to fish or engage in other economic activities do not automatically exempt income derived from those activities from federal income tax. Subsequent cases involving Native American taxation often refer to *Strom*. This decision reinforces the principle that tax exemptions must be explicitly stated in treaties or statutes, rather than implied. For attorneys advising Native American clients, it’s crucial to examine the specific language of treaties and related statutes to determine whether a valid basis for a tax exemption exists. This case also highlights the distinction between taxing the right to engage in an activity and taxing the income derived from that activity.

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