

General Revenue and Taxation Regulations
of the
The Mashantucket Pequot Tribal Nation

Effective: October 1, 1998

Revised Through: July 1, 2015

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General Revenue and Taxation Regulations

Chapter I - Administration

I. ADMINISTRATION

1.1 Department Responsible for Tax Administration – The Office of Revenue and Taxation under the control of the Tribal Finance Committee, is responsible for administering the Mashantucket Pequot Tribal Nation's General Revenue and Taxation Code and these Regulations.

Taxpayers dissatisfied with final decisions rendered by the Office of Revenue and Taxation must appeal to the Tribal Finance Committee, then to Tribal Court if necessary.

Contact Information: The mailing address of the Office of Revenue and Taxation is, 2 Matt's Path, P.O. Box 3008, Mashantucket, CT 06339-3008. Its telephone number is, (860) 396-3180.

1.2 Authority – The enactment of the Mashantucket Pequot Tribal Nation's General Revenue and Taxation Code and these Regulations are pursuant to and an expression of the governmental powers of the Mashantucket Pequot Tribal Nation which have been expressly recognized by the Connecticut Indian Claims Act of 1983, 25 U.S.C. §§ 1751-1760, and governmental powers of the Tribe which are embodied in the Mashantucket Pequot Constitution and By-Laws. The adoption of a General Revenue and Taxation Code has been approved by Tribal Council Resolution Number: TCR - 070198-03 of 05 of the Mashantucket Tribal Council on July 1, 1998.

1.3 Overview and Definitions - The Mashantucket Pequot Tribal Nation's General Revenue and Taxation Code is comprised of two sections:

- Sales Tax – including Hotel Occupancy Sales Tax, Food and Beverage Sales Tax, Retail Sales Tax, and Admissions Tax.
- Other Taxes and Fees – including Real Estate Home Ownership Taxes.

Sales Tax Definitions: The following general definitions apply to all sales taxes, unless specifically addressed in Chapter II of the General Revenue and Taxation Regulations.

“Admissions” means the right or privilege to have access to a place or location where amusement, entertainment, or recreation is provided.

“Admissions Charge” means the amount assessed for the right or privilege to have access to a place or location where amusement, entertainment, or recreation is provided.

“Collection Agent” means any person responsible to collect taxes pursuant to the General Revenue and Taxation Code. A Collection Agent is liable for uncollected taxes, and therefore, is a taxpayer.

“Complimentary” or “Comp” means any provision of goods or services, including rooms, as evidenced by a Wampum Point or Dream Reward charge or other similar credit system including gaming and non-gaming complimentaries and coupons entitling the holder to a 100% discount.

“Coupons” mean an authorized and valid reduction of the sales price as evidenced by a written promotional coupon or voucher. Coupons do not mean a reduction of the sales price to zero. A price reduction to zero is a Complimentary.

“Discounts” mean an authorized and valid reduction of the sales price as evidenced by a written promotional discount program or voucher. Discounts do not mean any reduction of the sales price to zero. A price reduction to zero is a Complimentary.

“Dream Rewards” or “Wampum Point” means the credits awarded to persons pursuant to the Dream Rewards or Wampum Program policies and procedures established by Foxwoods Resort Casino.

“Food and Beverage” means edible items and drinks. Food and Beverage includes, but is not limited to edible items and drinks sold in restaurants, by room service, and in vending machines. Food and Beverage includes meals.

“Gross Receipts” means the total amount charged for the Occupancy for a Room, Sale of Food and/or Beverage, Sale of Tangible Personal Property (retail goods), and Admissions Charge. Discounts and Coupons (if less than 100% of the Sales price) reduce Gross Receipts. Complimentaries awarded by Foxwoods Resort Casino and used at the Mashantucket Pequot Museum and Research Center reduce Gross Receipts.

“Hotel” means any building on the Mashantucket Pequot Tribal Nation’s Reservation regularly used and kept open for the lodging of guests.

“Meal Plan” means the rendering of meals and lodging at a fixed price.

“Occupancy” means the use or possession, or the right to the use or possession, of any Room or Rooms in a Hotel or the right to the use or possession of the furnishings or the services and accommodations accompanying the use and possession of such Room(s).

“Person” means and includes any individual, firm, association, corporation, unincorporated entity, or any other group or combination acting as a unit.

“Place of Amusement, Entertainment, or Recreation” includes, but is not limited to, motion picture shows, auditoriums where lectures and concerts are given, amusement attractions, and dance halls.

“Retailer” means any person selling goods or services on the Mashantucket Pequot Tribal Nation's Reservation.

“Room” means any space of any kind in any part or portion of a Hotel let out for use or possession for lodging purposes.

“Sale” and “Selling” means and includes the furnishing (selling and renting), preparing, or serving for a consideration of Hotel Rooms, Food and Beverage, Tangible Personal Property, or Admissions Charge on the Mashantucket Pequot Tribal Nation’s Reservation.

"Sale at Retail" means a Sale for any purpose, except for resale, in the regular course of business and the rendering of specified taxable services or the furnishing of accommodations in a Hotel.

"Tangible Personal Property" means personal property which may be seen, weighed, measured, felt or touched, or which is in any other manner perceptible to the senses.

"Tentative Tax Liability" means the amount of taxes owed for any tax period before the application of credits.

1.4 Basis of Tax

1.4.1 Sales Tax

1.4.1.1 General Overview - Sales tax is measured by a Retailer's Gross Receipts from the sale of Hotel Rooms, Food and Beverage, retail goods, or Admissions. Gross Receipts are defined in an all-inclusive manner. Gross Receipts include the total amounts paid for the subject property or services whether paid in money or otherwise, all receipts of any kind, any credits which the seller gives to the buyer, and all services that are part of the sale. The only allowable deductions from Gross Receipts or Sales Price are for Discounts and Coupons at the point of sale, and returned merchandise. The use of Complimentaries do not constitute a discount for the purpose of reducing Gross Receipts unless otherwise provided for in these Regulations.

1.4.1.2 Returned Merchandise, Allowances and Exchanges - Amounts refunded or credited to buyers on returned merchandise reduces Gross Receipts and therefore can be excluded from taxable basis. To qualify, the buyer must have returned the property in compliance with the Retailer's returned merchandise procedures. The exclusion from taxable basis may be taken in the form of a credit against tax otherwise due or as a deduction from the current return's taxable basis. The Retailer must be able to substantiate the taxable basis reported.

1.4.1.3 Exempt Organizations - Sales of tangible personal property and hotel occupancy to governmental, non-profit, charitable and religious organizations are exempt from tax. Such exempt organizations are defined as certain entities exempt from Federal Income Tax, as follows:

1. Any organization that is exempt from federal income tax under IRC Section 501(a).
2. The United States government, agencies and political subdivisions;
3. States, municipalities, and their political subdivisions;
4. Federally recognized Native American Tribes.

Establishing tax exempt status: Entities exempt pursuant to IRC Section 501 must provide an IRS determination letter acknowledging their status. Federal and State governments must provide proof of their status with a Government Identification Badge, a letter on governmental letterhead, or other equivalent document. Native American Tribes must provide a copy of Congressional action or other document establishing their federal recognition.

1.4.1.4 Sales Between Related Entities - Sales between a wholly owned businesses or “brother/sister” businesses are exempt from sales tax if no profit is built into the sale.

1.4.2 Other Taxes and Fees

1.4.2.1 Real Estate Home Ownership Tax - is imposed at an annual rate per Home. No credits or discounts are permitted. The tax is imposed on enrolled members of the Mashantucket Pequot Tribal Nation who reside on the Mashantucket Pequot Tribe’s Reservation. The annual rate of tax is the limit per home. If multiple Tribal members own the home, the tax is due in equal amounts from each homeowner.

1.5 Rate of Tax

1.5.1 Sales Tax

- 1.5.1.1** Hotel Occupancy Sales Tax rate is 15%.
[Historical note: 15% tax rate became effective 07/01/2011; previous tax rate was 13%.]
[Historical note: 13% tax rate became effective 09/01/2009; previous tax rate was 12%].
- 1.5.1.2** Food and Beverage Sales Tax rate is 6.35%.
[Historical note: 6.35% tax rate became effective 07/01/2011; previous tax rate was 6%].
- 1.5.1.3** Retail Sales Tax rate is 7.35%.
[Historical note: 7.35% tax rate became effective 07/01/2011; 7% tax rate became effective 09/01/2009; previous tax rate was 6%].
- 1.5.1.4** Admissions Sales Tax rate is 10%.

1.5.2 Other Taxes and Fees

- 1.5.2.1 Real Estate Home Ownership Tax is \$900 per annum.**

1.6 Accounting Requirements

1.6.1 Cash versus Accrual – The method of accounting used for financial statement purposes must be used to comply with the General Revenue and Taxation Code unless permission is granted by the Office of Revenue and Taxation. A request to change the method of accounting must be made in writing with a description of why a change is requested.

1.6.2 Record Keeping Requirements—Every seller, retailer and person liable to collect any taxes or fees has to keep records for a period of at least three years from the date the return was filed. All of these records are subject to audit. Specifically, records must show:

- Gross Receipts from sales including both taxable and exempt items and any services included as part of sales.

- All credits claimed on returns.

In general, these records are the normal books of account that would be kept by a prudent business in the activity in question, together with (a) all bills, receipts, invoices, register tapes and other original-entry documents which support the books of account, and (b) all schedules and working papers used in the preparation of tax returns.

Records must be retained for at least three years, unless the Office of Revenue and Taxation authorizes their earlier disposal.

1.6.3 Split Sales - Split sale or split settlement means a sale accomplished by transfer of cash and Comps. The Split Sale ordering rule is as follows:

Allocate Comps first to taxable items pursuant to the General Revenue and Taxation Code, then allocate cash.

Illustrations to clarify Split Sales ordering rule:

- If a purchase includes taxable and non-taxable items pursuant to the General Revenue and Taxation Code, allocate the Comp settlement first to the taxable items until exhausted then to the non-taxable items. An example is the settlement of a Hotel folio with Room Occupancy and Salon Services.
- If a purchase includes taxable items pursuant to both the General Revenue and Taxation Code and the State of Connecticut, allocate the Comp settlement first to the taxable items pursuant to the General Revenue and Taxation Code.

1.6.4 Recharacterized Sales - A sale originally settled as cash, Comp, or mixed may be recharacterized. In this case, the original sale must be reversed and recorded as corrected, in the month the correction was approved by the Retailer.

Illustrations to clarify the recharacterization rule:

- If a sale was originally settled by cash only and subsequently recharacterized as Comp only,
 1. Refund the tax originally collected (cash),
 2. Adjust the Wampum Point account if necessary, and
 3. Report the correction on the tax return in the period in which the correction was approved.
- If a sale was originally settled by Comp only and subsequently recharacterized as cash only,
 1. Reinstate the Wampum Point account if necessary.
 2. Collect the tax in cash from the purchaser, and

3. Report the correction on the tax return in the period in which the correction was approved.

1.7 Returns and Payment

1.7.1 Sales Tax

1.7.1.1 Overview - All sellers liable for collecting and remitting sales tax must file periodic returns. Refer also to paragraph 1.13. Sales tax returns are filed on Form MP-100 (see Exhibit A) which includes the information required by the General Revenue and Taxation Code. Returns must be signed by a Director, Controller, Vice President or equivalent. All returns are filed with the Office of Revenue and Taxation, at the address shown on the form. Returns are required even if there is no tax due for the reporting period.

Taxpayers must file returns on a monthly basis. For periods beginning on or after October 1, 1999, quarterly returns may be filed for taxpayers whose total tax liability for the preceding 12-month period was less than \$4,000. All quarterly returns are based on calendar quarters; though the first quarterly period for a new business may be less than three full months.

Electronic filing: The Office of Revenue and Taxation may require or permit filing of any return, statement, or document by computer transmission or by other technology as it is developed.

1.7.1.2 Due Date of Returns and Payments - Payments must accompany returns, except for taxpayers paying by electronic funds transfer. Returns are due no later than the last day of the month following the end of the appropriate reporting period. For example, a taxpayer on a monthly reporting basis must file its return for the month of January (and make the accompanying payment) no later than February 28. Taxpayers on quarterly reporting periods must make their returns by April 30, July 31, October 31 and January 31.

A return's due date is automatically extended to the next business day if it falls on a Saturday, Sunday or legal holiday. For purposes of timely filing, a legal holiday is considered to be any legal holiday observed by the Mashantucket Pequot Tribal Nation. A return is considered timely filed if it bears a U.S. postmark on or before the due date.

Extensions: In order to obtain an extension of time for filing a return or paying the tax, a taxpayer must file a written request with the Office of Revenue and Taxation, stating good cause for the request, no later than the normal due date. Along with this request the taxpayer must file a tentative return and make an estimated payment based thereon. A return filed on an estimated basis must clearly indicate in bold letters "Estimated Return". Interest at the rate of 1% per month or portion thereof must be paid on any amount of tax paid after the original due date.

1.7.1.3 Electronic Funds Transfer - Any taxpayer who pays sales tax by electronic funds transfer, must initiate its transfers early enough so that the required funds will be deposited in the designated bank account no later than the normal due date. If the Mashantucket Pequot Tribe's account is not credited by the due date, the taxpayer will be considered to have made a late payment and will be subject to penalties and interest. Any taxpayer that wishes to

remit taxes via electronic funds transfer must contact the Office of Revenue and Taxation to obtain detail wire instructions.

1.7.1.4 Penalties, Additions to Tax, and Interest - Penalties: The following lists the penalties related to sales tax:

- Failure to pay tax when due - penalty: greater of 15% of the tax, or \$50.
- Failure to file a return - penalty: greater of 15% of the tax, or \$50.

A taxpayer will not be subjected to both the failure to pay penalty and the failure to file penalty, for the same tax period.

Penalty waivers: The Office of Revenue and Taxation may waive tax penalties on equitable grounds. The Office of Revenue and Taxation decisions may be appealed within one month of issuance to the Tribal Finance Committee.

Additions to Tax: The Office of Revenue and Taxation has the authority to make additional assessment adjustments of sales tax upon examination of any return. Refer to paragraph 1.8.

Interest on underpayments: Interest at the rate of 1% per month, or any fraction thereof, is imposed in cases of late payments, assessments made when returns are not filed, and deficiency assessments. In each case, interest is calculated from the original due date until the date of actual payment.

1.7.2 Other Taxes and Fees

1.7.2.1 Real Estate Home Ownership Tax - All homeowners are liable for remitting the Real Estate Home Ownership Tax. A tax return is not needed to accompany payment. The payment may be remitted to the Mashantucket Pequot Housing Department in equal monthly installments.

Right of off-set: The Office of Taxation and Revenue has the authority to withhold the tax from any funds owed to the taxpayer by the Mashantucket Pequot Tribal Nation.

1.8 Tax Collection Enforcement

1.8.1 Sales Tax

1.8.1.1 Tax Collection Overview - The Office of Revenue and Taxation has authority to ensure the accurate computation of sales taxes. It has the power to make deficiency assessments, following the examination of returns, and may make estimated assessments when taxpayers fail to file returns.

1.8.1.2 Deficiency Assessment Adjustments and Assessments Based on Estimated Tax Liability - The Office of Revenue and Taxation may make additional assessments of sales tax if not satisfied with the amount of tax reported on any return and make

sales tax assessments when a taxpayer fails to file a return. To do so, the Office of Revenue and Taxation uses any information in its possession, or new information that comes into its possession, to estimate the taxpayer's gross receipts. There are no statutory limitations on the type of information the Office of Revenue and Taxation may use.

Interest and Penalties - are calculated pursuant to paragraph 1.7.1.4.

Notice: The Office of Revenue and Taxation must provide the taxpayer written notice of any deficiency assessment, adjustment, or reassessment. Notice may be served in person, or by U.S. mail addressed to the taxpayer at the address shown on the Office of Revenue and Taxation records.

Time limits: Deficiency assessment adjustments are subject to a three-year statute of limitations. This period begins on the last day of the month following the tax period to which an assessment relates, or when the return is filed, whichever is later. It ends when the Office of Revenue and Taxation provides notice of the assessment. Notice of assessments are subject to a three-year statute of limitations.

Reassessment: A deficiency assessment adjustment becomes final and payable 60 days after service of notice. If a taxpayer wants to appeal the assessment, it must file a written petition for reassessment with the Office of Revenue and Taxation prior to the expiration of this period. The Office of Revenue and Taxation will then reconsider the assessment, and may grant the taxpayer an oral hearing if so requested in the petition. As part of the reassessment process, the Office of Revenue and Taxation may increase or decrease the amount of the original deficiency assessment. The Office of Revenue and Taxation's order on a reassessment becomes final 30 days after service of notice; any further appeals must be made in writing to the Tribal Finance Committee by that deadline.

1.9 Reserved

1.10 Setoffs - As part of an assessment, the Office of Revenue and Taxation may offset one period's overpayment against another period's underpayment, including interest. This also applies to assessments made when no return has been filed.

1.11 Compromise and Closing Agreements - The Office of Revenue and Taxation may make compromise settlements of tax disputes with taxpayers. These are permitted if there is doubt over a taxpayer's liability for the amount in question or collectability. The Office of Revenue and Taxation also may enter into written closing agreements with taxpayers regarding their tax liabilities.

1.12 Refunds and Credits

1.12.1 Refunds - Refunds are allowed when tax has been overpaid. Taxpayers seeking refunds must file claims with the Office of Revenue and Taxation, stating the specific grounds on which the claims are based. A claim for refund must be filed within three years from the last day of the month following the taxable period for which the overpayment was made.

1.12.2 Sales Tax Credits - Certain credits may be applied to sales taxes. Credits are a reduction of a taxpayer's Tentative Tax Liability. Credits do not merely reduce taxable

gross receipts, they lower tax liability on a dollar for dollar basis. Three types of credits are available. Only one type of credit may be taken for the same transaction.

1.12.2.1 Complimentary Sales Credit – The amount of Sales Taxes computed attributable to Complimentary sales shall be a credit against the Tentative Tax Liability.

Complimentary sales are treated as a sale to Foxwoods and a promotional giveaway from Foxwoods to the individual customer (see also Connecticut Legal Ruling 2002-3).

1.12.2.2 Credit for Taxes Paid to Another Jurisdiction - A credit is allowed if any taxable property or services are properly subject to sales or use tax in another jurisdiction and sales or use tax is paid to such jurisdiction, provided such property or services are also subject to the General Revenue and Taxation Code.

In the case of taxes paid to Connecticut for complimentary sales of alcohol, the credit amount is equal to the amount reimbursed by Foxwoods for such sales multiplied by the Connecticut sales tax rate on alcohol sales.

1.12.2.3 Refund Carryover Credit – The amount of a prior period overpayment may be used by a taxpayer as a credit to reduce the Tentative Tax Liability. All prior period overpayments must be supported by a sales tax return completed in its entirety as required by the General Revenue and Taxation Code.

1.13 Responsibility for Tax Payment and Collection

Retailers are responsible for collecting and remitting sales taxes. Retailers are Collection Agents and, as such, must register with the Office of Revenue and Taxation, unless the Retailer is wholly owned and operated by the Mashantucket Pequot Tribal Nation.

The Office of Revenue and Taxation is authorized to issue registration procedures, forms, and instructions to administer the General Revenue and Taxation Code.

General Revenue and Taxation Regulations

Chapter II - Sales Tax

II. SALES TAX

2.1 Hotel Occupancy Sales Tax

2.1.1 Imposition and Rate of Tax - For the privilege of the use and occupancy, or right of use and occupancy, of a Room in a Hotel located on the Mashantucket Pequot Reservation for a consideration, a tax is imposed on all use and occupancy of Room(s) and occupancy-related services. The Hotel Occupancy Sales Tax rate is fifteen percent (15%) of taxable Gross Receipts goods [Historical note: 15% tax rate became effective 07/01/2011; 13% tax rate became effective 09/01/2009; previous tax rate was 12%]. The tax shall be imposed upon the person for whom the Room, goods or services are provided and collected by the provider of the Room, goods or services. The amount of the tax shall be remitted by the provider irrespective of whether the provider collected such tax from the purchaser. In the case of Complimentaries, refer to the Complimentary Sales Credit, paragraph 1.12 and below.

2.1.2 Tax Base

2.1.2.1 Overview - Generally, Hotel Occupancy Sales Tax is measured by a Retailer's Gross Receipts from the sale of Hotel Rooms and occupancy related services.

2.1.2.2 Reserved

2.1.2.3 Reduced Price – Gross Receipts are not reduced by the value of Complimentaries. Gross Receipts do not include the value of Discounts and/or Coupons. For example, a Hotel folio for four nights (at a price of \$150 per night) is settled using cash with the following price adjustments:

1. One night Comped,
2. One night 10% discount,
3. One night \$50 Coupon,
4. One night full charge.

Tax of \$50.05 would be collected and calculated as follows:

1. No cash tax on the Comp night
2. \$17.55 tax for the 10% discount night ($\$150 \times 90\% \times 13\%$),
3. \$13.00 tax for the \$50 Coupon night ($(\$150 - \$50) \times 13\%$),
4. \$19.50 tax for the full charge night ($\$150 \times 13\%$)

An additional tax of \$19.50 on the comped sale transaction (item #1 above) would be assessed and credited by the Retailer against the payment due to the Tribe in accordance with paragraph 1.12.2.1.

2.1.2.4 Meals – In the case of a Meal Plan, a portion of the charges paid by the guest to the Hotel are treated as the purchase price of meals and, thus, subject to the Food and Beverage Sales Taxes under paragraph 2.2, and the balance of the charges paid by the guest to the Hotel is treated as rent for the occupancy of a room and, thus, subject to the Hotel Occupancy Sales Tax. Allocate the charges as follows:

Package Includes:	% Allocated Meals	% Allocated Room
Room/breakfast, lunch, dinner	50%	50%
Room/breakfast, lunch,	30%	70%
Room/breakfast, dinner	40%	60%
Room/lunch, dinner	40%	60%
Room/ dinner	25%	75%
Room/breakfast	15%	85%
Room/ lunch	15%	85%
Room/continental breakfast	0%	100%

(A "continental breakfast" consists of juice, pastry and coffee)

Room service charges for the furnishing, preparing or serving of food, meals or drinks will not be treated as part of the services or accommodations accompanying the use and possession of a Hotel Room, but will be treated as charges to which Food and Beverage Sales Tax applies. Room service charges must be separately stated on the guest's room bill. If not separately stated, the charge is included in the Hotel Occupancy Sales Tax Gross Receipts.

2.1.2.5 Rental of Rooms other than for Lodging (Meetings and Conferences) - The Hotel Occupancy Sales Tax does not apply to Rooms rented for use other than for lodging purposes, such as meetings and conferences, so long as the charges are separately stated. Food and Beverage Sales Tax may apply if meals are involved, under the following conditions:

- (A) If the acceptance of meals furnished by the Hotel is a mandatory condition of the meeting or conference room rental, the entire charge for the room and meals is treated as a charge for meals and is subject to Food and Beverage Sales Tax.
- (B) If the meals are furnished and consumed in the meeting/conference room, the entire charge for the room and meals is treated as a charge for meals and subject to Food and Beverage Sales Tax, whether or not the room and meals components are separately stated.

- (C) If the Hotel supplies more than one room, with one room used for furnishing meals and the other for the meeting or conference, then the charge for the meeting or conference room is exempt from all tax if it is separately stated and is reasonable based on prevailing rates in the area. The total charges for the “meals” room is subject to the Food and Beverage Sales Tax.
- (D) If the attendees at the meeting or conference hire and pay a third-party caterer to supply meals, then the Hotel’s charges are not treated as charges for meals, but rather for meeting or conference space, and therefore are not taxable. The caterer’s charges to the attendees are treated as charges for meals, even if the room rental is separately stated, and are subject to Food and Beverage Food and Beverage Sales Tax.

Providing a self-service table for snacks and nonalcoholic beverages is not considered to be furnishing meals. The Hotel’s charges for the table are subject to Food and Beverage Sales Tax while its charges for the meeting or conference rooms are tax-free.

2.1.2.6 Telecommunication Services (Telephone, Facsimile, Internet, etc.) - Charges made by a hotel to a guest for telecommunication services are considered to be for services and accommodations accompanying the use and possession of a room in a hotel, and, hence, are included in Gross Receipts charged for occupancy. Whether or not charges for such services are separately stated, Hotel Occupancy Sales Tax applies.

2.1.2.7 Other Services - Charges made by a Hotel to a guest for services, such as valet, dry cleaning or laundry services will be treated as part of the services or accommodations rent charged for occupancy. Whether or not charges for such services are separately stated, Hotel Occupancy Sales Tax applies.

2.2 Food and Beverage Sales Tax

2.2.1 Imposition and Rate of Tax - For the sale of Food and Beverage in any location within the Mashantucket Pequot Reservation, a tax is imposed. The Food and Beverage Sales Tax rate is six and 35/100 percent (6.35%) of the Gross Receipts from the sale of taxable Food and Beverages [Historical note: 6.35% tax rate became effective 07/01/2011; previous tax rate was 6%]. The tax shall be imposed on the person purchasing the Food and Beverages and collected by the provider of the Food and Beverage. The amount of the tax shall be remitted by the provider irrespective of whether the provider collected such tax from the purchaser. In the case of Complementaries, refer to the Complimentary Sales Credit, paragraph 1.12 and below.

2.2.2 Tax Base

2.2.2.1 Overview - Food and Beverage Sales tax is measured by a Retailer's taxable Food and Beverage Gross Receipts. Food products for human consumption are exempt from tax (i.e. groceries). Note that food products sold in meal form by restaurants and other eating establishments generally are not exempt (refer to *meals* below).

Meals defined: Food sold by an eating establishment constitute a meal if they are furnished, prepared or served in a form and portions that make them ready for immediate consumption on or near the seller's location. This includes packaged or wrapped items sold on a take-out basis.

Taxable items: Products which do not qualify as food products, and therefore are taxable, include:

- Candy
- Alcoholic beverages
- Carbonated beverages, which include soda, soft drinks, carbonated water, and similar items customarily dispensed at bars and soda fountains.
- Items which are a combination of food and nonfood products, unless at least 50% of the sales price is attributable to the food products. (example: Fruit basket; the cost of the fruit must be compared with the cost of the basket)

Meals: Sales of meals by restaurants and other eating establishments generally are taxable, even if they consist of otherwise-exempt food products. Besides restaurants, eating establishments include:

- cafeterias;
- sandwich shops;
- pizzerias;
- fast-food outlets of all types;
- coffee and donut shops;
- luncheonettes;
- cocktail lounges and taverns;
- snack bars;
- ice cream shops;
- mobile food trucks and carts;
- private or social clubs;
- hotels or boarding houses selling meals (refer to paragraph 2.1.2)
- refreshment stands located at amusement or entertainment facilities.

Meals sold by caterers also are taxable. A caterer is a person who prepares meals and either (a) serves the meals at a location which the customer designates, or (b) delivers the meals to the customer at a designated location, without serving them. It is not necessary for the caterer to have provided the meals which he or she prepares.

Taxable basis: Tax is imposed on the Gross Receipts from the sale of a meal. Gross Receipts include the meal's listed selling price, any charges for the use of waiter, bartenders, and other service personnel, and charges for the use of items such as glasses and silverware.

Mandatory Gratuities: Food and Beverage Sales Taxes is applied to service charges provided that the Gross Receipts from the sales of meals include any mandatory service charge unless the seller can establish that (i) the service charge does not inure to the benefit of the seller (the use of such service charge by the seller to reduce his expenses, including his payroll expense, is a benefit to the seller), (ii) the service charge is remitted, in its entirety, to the service personnel who provided the meal service, and (iii) the service charge is separately stated on the bill. The term 'service personnel' is limited to personnel involved in the actual serving of the meal to the customer. The term 'service personnel' does not include supervisory and administrative

personnel, such as the banquet manager, banquet marketing personnel, banquet captain, catering directors and catering managers.

2.2.2.2 Reserved

2.2.2.3 Reduced Price – Gross Receipts are not reduced by the value of Complimentaries. Gross receipts are reduced by the value of Discounts and/or Coupons. Refer to example in paragraph 2.1.2.3.

2.2.2.4 Meals and Hotel Occupancy - In the case of any amount treated as a meal pursuant to paragraphs 2.1.2.4 and 2.1.2.5, it is subject to the Food and Beverage Sales Tax of this paragraph 2.2.1.

2.2.2.5 Vending Machines - Vending machine transactions are exempt from tax.

2.2.2.6 Tobacco Products - Sales of cigarettes, cigars, and other tobacco products are exempt from tax.

2.3 Retail Sales Tax

2.3.1 Imposition and Rate of Tax - For the sale of goods within the Mashantucket Pequot Tribal Nation's Reservation, a tax is imposed on the Gross Receipts from the Sale at Retail of Tangible Personal Property unless exempt from tax. The Retail Sales Tax rate is seven and 35/100 percent (7.35%) of taxable Gross Receipts from the sale of goods [Historical note: 7.35% tax rate became effective 07/01/2011; 7% tax rate became effective 09/01/2009; previous tax rate was 6%]. The tax shall be imposed on the person purchasing the goods and collected by the provider of the goods. The amount of the tax shall be remitted by the provider irrespective of whether the provider collected such tax from the purchaser. In the case of Complimentaries, refer to the Complimentary Sales Credit, paragraph 1.12 and below.

2.3.2 Tax Base

2.3.2.1 Overview - Retail Sales Tax is measured by a retailer's taxable Gross Receipts from the sale of tangible personal property.

2.3.2.2 Exempt Property - All sales of Tangible Personal Property are taxable unless specifically exempted from the tax. The following transactions are exempt.

- Bingo Paper - Sale of Bingo Paper is not taxable.
- [Historical Note: Effective 7-1-2011, the clothing exemption was repealed and all articles of clothing and footwear are now taxable.]
- Medicines and Drugs - Prescription medicine are exempt from tax. Non-prescription medicines and drugs are exempt from tax effective April 1, 2015.
[Historical note: from 07-01-2011 to 03-31-2015, non-prescription drugs were taxable.]

- Motor Fuels - Gasoline and other fuels are exempt from tax.
- Newspapers - Newspapers sold over the counter (i.e. not as part of a regular subscription) are exempt from the tax.
- Occasional Sales - Casual or isolated sales are exempt from tax. Occasional sales means (a) infrequent, non-recurring sales by persons not in the business of selling tangible personal property, and (b) sales of items of tangible personal property acquired for the seller's use or consumption and not sold in the regular course of the seller's business.
- Pull Tab Tickets - Sale of Pull Tab Tickets are not taxable.
- Tobacco Products - Cigarettes, cigars, and other tobacco products.

2.3.2.3 Reserved

2.3.2.4 Reduced Price - Gross Receipts are not reduced by the value of Complimentaries. Gross Receipts are reduced by the value of Discounts and/or Coupons. Refer to example in paragraph 2.1.2.3.

2.4 Services - The General Revenue and Taxation Code does not tax services unless specifically included in the tax base (such as in the Hotel Occupancy Sales Tax - paragraph 2.1; and the Food and Beverage Sales Tax - paragraph 2.2).

2.5 Admissions Sales Tax

2.5.1 Imposition and Rate of Tax - For the right or privilege to have access to a Place of Amusement, Entertainment, or Recreation, a tax is imposed on the taxable Admissions Charges. The Admissions Sales Tax rate is ten percent (10%) of taxable Admissions Charges or Gross Receipts. The tax shall be imposed upon the person to whom access is permitted and collected by the provider of the access. The amount of the tax shall be remitted by the provider irrespective of whether the provider collected such tax from the purchaser. In the case of Complimentaries, refer to the Complimentary Sales Credit, paragraph 1.12 and below.

2.5.2 Tax Base

2.5.2.1 Overview - Admissions Sales Tax is measured by a Retailer's Gross Receipts from Admissions or Admissions Charge for the granting of access to any Place of Amusement, Entertainment, or Recreation. No tax is imposed:

- on a charge under \$1;
- for allowing a person to participate in a sporting activity;
- on any admissions for any events held at the Mashantucket Pequot Museum and Research Center;
- on any admissions for bingo events held at the Foxwoods Resort Casino's Bingo Hall.

2.5.3 Coin Operated Amusement Services and Video Games - Coin operated amusement devices and video games are not subject to tax.

2.5.4 Reduced Price - Gross Receipts are not reduced by the value of Complimentaries. Gross Receipts are reduced by the value of Discounts and/or Coupons. Refer to example in paragraph 2.1.2.3.

General Revenue and Taxation Regulations

Chapter III - Other Taxes and Fees

III. OTHER TAXES AND FEES

3.1 Real Estate Home Ownership Tax

3.1.1 Imposition and Rate of Tax - There is imposed a Real Estate Home Ownership Tax at a rate of \$900.00 per annum, payable at the rate of \$75.00 per month. The Real Estate Home Ownership Tax shall be payable by every homeowner on the Reservation incident to his/her ownership interest in a Home or House under any Tribal Housing Program.

3.1.2 Tax Base - Real Estate Home Ownership Tax is imposed at an annual rate per Home. No credits or discounts are permitted under the General Revenue and Taxation Code. The tax is imposed on enrolled members of the Mashantucket Pequot Tribal Nation who reside on the Mashantucket Pequot Tribe's Reservation. The annual rate of tax is the limit per Home. If multiple Tribal members own the home, the tax is due in equal amounts from each such homeowner.

3.1.3 "Home" or "House" - means each residence on the Mashantucket Pequot Reservation which has a unique address as assigned by the Mashantucket Pequot Planning Department and approved by the Mashantucket Tribal Council.

3.1.4 Effective Date - the Real Estate Home Ownership Tax of Section 3.1 shall be effective January 1, 1998.

3.1.5 Administration - The Tribal Housing Department is responsible to notify Tribal Finance of Tribal Members subject to the Tax, changes in Home ownership, and uncollected taxes. The Tribal Finance Department is responsible to notify Tribal Housing of monies collected through payroll and other garnishments.