



## Fact Sheet: Tax Status of Wholly Owned Tribal Entities – Final Regulations

December 15, 2025

**Overview:** Tribal governments rely on commercial entities to generate governmental revenue and have historically accorded their sovereign privileges and immunities to these entities. To date, the Internal Revenue Service has confirmed that federally chartered Tribal corporations have the same tax status as their owning governments. Federally chartered Tribal corporations, however, are administratively burdensome for Tribes to form and must be approved by the Department of Interior and dissolved by an act of Congress. As a result, many Tribes create commercial entities under their own laws to meet market opportunities and generate governmental revenue.

Over the past 30 years, Tribes have requested similar confirmation that their wholly owned entities chartered under Tribal law (Tribally chartered entities) share their tax status because tax certainty is critical to Tribal economic development. This final rule provides this certainty to support Tribal economic growth and provide parity with federally chartered entities.

**Final Rule:** On December 15, 2025, the U.S. Department of the Treasury and the Internal Revenue Service (collectively the “Department”) issued [final regulations](#) regarding the tax status of wholly owned Tribal entities. To support Tribal leaders in understanding these rules, Treasury published a [Tribal Consultation and Federal Response Summary](#) and below is an overview of the regulations.<sup>1</sup>

### A. Key Policy Highlights:

- 1. Recognition of the Unique Status of Tribal Economies:** The final rule recognizes that, pursuant to Tribal feedback, Tribal economies are unique and rely on Tribal commercial entities to generate governmental revenue.
- 2. Support for Tribal Economic Development and Inter-Tribal Trade Practices:** The final rule supports Tribal economic development by providing tax certainty. The rule also recognizes that a single Tribe or multiple Tribes have the ability to self-determine their revenue generating entities and charter them under their laws.
- 3. Recognition of Tribal Sovereignty, Sovereign Immunity, and Self-Determination in Tax Administration:** The final rule confirms the Department’s recognition of principles of Tribal sovereignty, sovereign immunity, and self-governance that have been repeatedly reaffirmed by the Supreme Court.

### B. Key Regulatory Highlights:

- 1. Confirms Tribally Chartered Entities Are Not Subject to Income Tax:** Tribes do not pay Federal income tax. The final rule provides wholly-owned Tribally chartered entities the Federal tax status of their owning Tribes. This affords them parity with Federally chartered Tribal corporations and means that they are not subject to federal income tax. This clarification includes entities that are chartered as corporations or organized as limited liability companies.

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1. The descriptions provided in this document summarize key provisions of the final regulations but are non-exhaustive and do not describe all requirements that may apply. Please see the final regulations.

2. **Multi-Tribal Entities Have the Tax Status of their Owning Tribes:** The final regulations provide that an entity owned by more than one Tribe and organized or incorporated under one or more of their respective laws, would have the Federal tax status of the owning Tribes. This means the entity is not subject to federal income tax. The final regulations also recognize that multi-Tribe owned entities may elect a choice of law or forum for administrative convenience.
3. **Provides Tribes with Liability Protections for Federal Employment and Excise Tax:** The final regulations treat Tribally chartered entities as separate for employment and excise tax liability. This means that a Tribal government is not subject to liability for federal employment and excise taxes owed by its Tribally chartered entity. This approach also minimizes administrative burdens, particularly for entities owned by multiple Tribes.
4. **Provides Clarity on Indirect Ownership:** The final regulations confirm that the wholly owned requirement can be met through either direct ownership or through ownership by other entities not recognized as separate. Example 2 of the final regulations is intended to be a general illustration of how subsidiaries in a tiered entity structure of wholly owned Tribal entities are not recognized as separate entities for Federal tax purposes and are, therefore, not subject to Federal income tax.
5. **Tax-Status of Partially-Owned Entities Subject to Separate Consultation and Guidance:** The final regulations explain that the Department will conduct separate Tribal consultation prior to issuing any additional guidance regarding the tax status of partially-owned Tribal corporations.

**C. Key Administrative Highlights:**

1. **No Imposition of an Integral Part Test:** The final regulations incorporate Tribal feedback and does not impose a multi-factor integral part test.
2. **Provides Reliance for Years Preceding the Final Regulations:** The final regulations provide that Tribes may rely on these rules for tax years that precede the final regulations' date of publication.
3. **Explains Income Tax Refund Process:** The preamble confirms that Tribally chartered entities that choose to apply the final regulations retroactively may seek income tax refunds by filing Form 1120-X, Amended U.S. Corporation Income Tax Return, for tax years for which the applicable period of limitations is open and obtain the assistance of the Indian Tribal Governments office of the Tax Exempt and Government Entities Division of the Internal Revenue Service to process their refund requests.
4. **No Imposition of Information Reporting:** These final regulations do not subject Tribal entities to any new reporting requirements.