

Off-Reservation Fiscal Effects of Indian Enterprise: Evidence from Washington State

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At least one peer-reviewed journal article (Anders, Siegel, & Yacoub, 1998) and one state policy shop (e.g., Washington Research Council, 2002) assert a non-trivial effect of casino introductions on state tax collections. As the argument goes, patrons of reservation business leave the “taxable” economy and spend their dollars in a “non-taxable” reservation environment, to the detriment of state treasuries. The explicit policy inference is that Indian enterprises—casinos in particular—impose an external cost on the states from which they draw customers, and accordingly, the tribes should pay for doing so (e.g., Anders, *et al.*, 354).

Simple (i.e., visual, before-and-after) analyses of tax data are insufficient to discern an effect. Taxable sales in Washington tax districts (cities and towns) do not display systematic patterns after casino introductions. Sometimes taxable sales appear to rise, consistent with destination effects—money flowing in from other locales. Sometimes taxable sales appear to fall, consistent with casino “cannibalization” of off-reservation purchasing. In all cases, the but-for-the-casino state of the world and confounding influences are unobserved.

A fixed-effects regression of 268 tax districts covering fourteen continuous years of taxable sales, testing before-and-after effects against the control group of tax districts that did not witness casino introductions finds no statistically discernible effect. Casino introductions at five and at ten miles proximity to the district are tested. Taxable property values are examined as well. An urban/rural variable was introduced to control for the influence of different growth trends. In no case was a statistically discernible effect found.

This finding is consistent with the finding of Anders, *et al.* when that work is properly understood. It is also consistent with other statistical research, which shows that introductions of casinos are associated with economic vitality.

The research was funded by the Washington Indian Gaming Association in 2004-2005.

References

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