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The Department of the Interior announced today that it has submitted to Congress a proposal for legislation exempting from Federal and State income tax the payments of more than $26,000,000 which the Government has made to four Pacific Northwest Indian tribes to compensate them for the loss of their fishing rights at Celilo Falls on the Columbia River.

The tribes involved are the Yakima of Washington, the Warm Springs and Umatilla of Oregon, and the Nez Perce of Idaho.

Construction of The Dalles Dam by the Corps of Engineers on the Columbia River resulted in flooding of the Celilo Falls where members of the four tribes have fished for many years. Their rights to fish there were embodied in a treaty consummated between the United States and the Indians over 100 years ago. Under legislation enacted in 1953, agreements were worked out with the four tribal groups and payments deposited to their credit in the United States Treasury.

On the basis of comparative populations, the Yakimas received $15,019,640.00, the Warm Springs tribes $4,451,784.26, the Umatilla $4,616,971.06, and the Nez Perce $2,500,000.

The tribes intend to divide these funds among their members and make them available for use in accordance with plans approved by the Department of the Interior. While the Internal Revenue Service has regarded the funds as nontaxable in the hands of the tribes, it has taken the position that they will be taxable as capital gains upon distribution to the individual members.

In submitting its proposal, the Department of the Interior pointed out that it has been the practice of Congress, when authorizing distributions of tribal funds, to make the individual shares tax-exempt. This has been particularly true, the Department added, when the funds represent, as they do here, the value of a capital asset taken from the tribe by Federal action.

The Department's proposal would make the Celilo Falls payments tax-exempt both when in the hands of the tribes and when divided among the individual members.