



Foreign Diplomats Tax Exemption Program

Purpose

The purpose of this Special Notice is to inform retailers of a significant change in the design of the **Diplomatic Tax Exemption Card** issued by the U.S. Department of State. These cards are issued to foreign diplomatic and consular missions, and their members in the United States.

Foreign diplomats exemption

In accordance with international law, the Foreign Missions Act (22 USC 4301-4316 as amended), and subject to reciprocity, such cards are used to authorize the exemption from sales, occupancy, restaurant/meal, spirits taxes and other similar taxes, on the official and personal purchases of foreign diplomatic and consular missions and their members in the United States.

For nearly three decades, a common design element of the Department of State's Diplomatic Tax Exemption Card has been the use of a blue or yellow stripe that was used to visually convey to vendors and revenue authorities the level of tax exemption privileges a cardholder was authorized to receive.

As of June 2011, the Department of State will begin to issue a newly designed Diplomatic Tax Exemption Card that no longer uses the "blue/yellow stripe" feature. This new card incorporates state-of-the-art security features to defeat any attempts to fraudulently manufacture counterfeit cards.

The Department of State anticipates that all existing Diplomatic Tax Exemption Card issuances will be replaced with the newly designed document no later than August 31, 2011.

The Department of State does not foresee any changes in the manner in which the newly designed diplomatic tax exemption card is presented to vendors, nor in the manner in which vendors grant exemptions from sales, occupancy, restaurant/meal, or other similar taxes on the eligible purchases.

The new Diplomatic Tax Exemption Card has significant changes, including but not limited to the following:

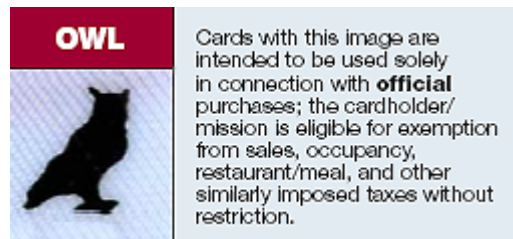
- The use of animal images to convey an immediate visual cue of the level of exemption the cardholder is authorized to receive.
- Description of the cardholder's level of entitlement to tax exemption privileges presented on both the front and back sides of the card.
- Laser engraved personalized data.
- Optically variable device/Kinegram.
- Tactile micro-text (small raised text).

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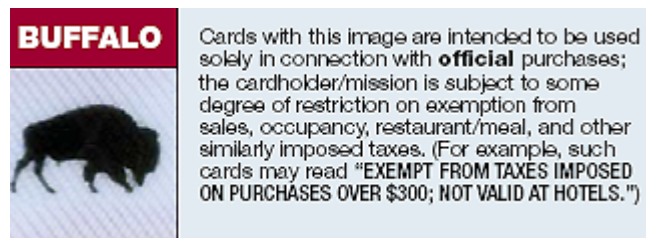
There are additional security features embedded in the design and manufacture of the new Diplomatic Tax Exemption Card, which are law enforcement sensitive. Instead of using the blue/yellow stripes like on the previous tax card, the Department of State now uses images of animals that are native to North America. Each of these images provides vendors and revenue authorities with (1) a visual cue of the general level of tax exemption privileges enjoyed by each cardholder and (2) whether the card is intended for official or personal purchases.

The four images used include an owl, buffalo, eagle, and deer. They indicate the level of tax exemption authorized by a particular Diplomatic Tax Exemption Card. For example:

- Owl - This image signifies that such cards are intended to be used solely in connection with official purchases and that cardholder/mission is eligible for exemption from sales, occupancy, restaurant/meal, and other taxes without restriction.



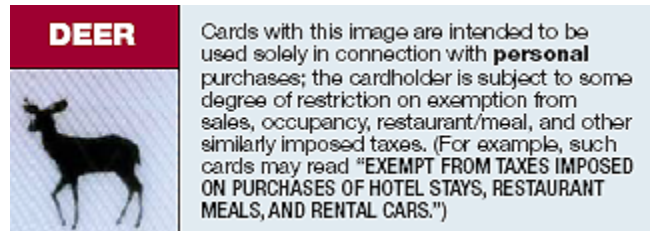
- Buffalo - This image signifies that such cards are intended to be used solely in connection with official purchases and that cardholder/mission's eligibility for exemption from sales, occupancy, restaurant/meal, and other taxes is subject to some degree of restriction. For example, such cards may read "EXEMPT FROM TAX ON PURCHASES OVER \$300; NOT VALID AT HOTELS"



- Eagle - This image signifies that such cards are intended to be used solely in connection with personal purchases and that the cardholder is eligible for exemption from sales, occupancy, restaurant/meal, and other taxes without restriction.



- Deer - This image signifies that such cards are intended to be used solely in connection with personal purchases and that the cardholder's eligibility for exemption from sales, occupancy, restaurant/meal, and other similar taxes is subject to some degree of restriction. For example, such cards may read "EXEMPT FROM TAX ON PURCHASES OVER \$150; NOT EXEMPT FOR HOTELS, RESTAURANTS, & SERVICES."



Further, the Department of State has instituted a system to provide for the online verification of the validity of a Diplomatic Tax Exemption Card at <https://ofmapps.state.gov/tecv/>. Information concerning this service and a telephone contact number are found on the reverse side of each Diplomatic Tax Exemption Card.

The mechanisms the Department of State uses to authorize exemption from all other types of taxes, including but not limited to excise taxes imposed on purchases of alcohol, fuel, tobacco, and utility services, or taxes imposed on the purchase of motor vehicles remain unchanged.

Recordkeeping requirements

Sellers must keep invoices or other written evidence of sale to support any deduction claimed on excise tax returns for sales to foreign diplomats. The invoice must show the name of the purchaser, name of the mission, tax exemption number, expiration date of the Tax Exemption Card, and minimum level of exemption specified on the Tax Exemption Card.

Seller's Business and Occupation tax

Income from the sale of goods and retail services to foreign diplomats remains subject to Business and Occupation (B&O) tax under the retailing classification. To report such sales, include the sale in the gross amount reported under the retailing B&O tax classification and the retail sales tax line. A deduction may be taken on the retail sales tax line in column 2 of the return and explained on the deduction detail sheet as "sales to foreign diplomats" on the "other deduction" line.

For more information

For more information, contact the Department of Revenue's Telephone Information Center at 1-800-647-7706.