Notice

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Notice

Office of Policy & Research

Notice 04-09
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Diplomatic Tax Exemption

This notice discusses how Kansas sales, use and transient guest taxes apply when the buyer presents a Kansas retailer with a Tax Exemption Card issued by the Office of Foreign Missions ("OFM") of the U.S. Department of State.

The Diplomatic Tax Exemption Program.

The **Diplomatic** Tax Exemption Program provides an exemption from state and local sales and use tax, occupancy (transient guest taxes), and other similar taxes normally charged when the sale is to eligible foreign missions and foreign officials on assignment in the United States. This tax exemption program is based on reciprocal treaty agreements authorized by Article VI of the U.S. Constitution between the United States and certain foreign countries. The United States does not grant a tax exemption to foreign missions and officials here unless United States Embassy and Consular personnel receive the equivalent tax exemption while stationed in that country. Therefore, not all foreign missions and officials are entitled to tax exemption.

Foreign missions and officials that are entitled to a tax exemption are issued a Tax Exemption Card by the Office of Foreign Missions (OFM). Each card contains the individual's name, photograph, mission employed by, expiration date and protocol identification number. There are two types of Tax Exemption Cards: Personal and Official/Mission. Each card has one of two different levels of sales and use tax exemption. The level of tax exemption is shown by the color of the card and by the written explanation in the colored box. Flyers with samples of the tax exemption cards that explain this in greater detail are available from the Office of Foreign Missions website – http://www.state.gov/documents/organization/235652.pdf

Pursuant to U.S. law, the Taipei Economic and Cultural Representative Office in the United States (TECRO), the Taipei Economic and Cultural Offices (TECOs), their designated employees, and their qualifying dependents are also entitled to tax exemptions privileges. Accordingly, the American Institute in Taiwan (AIT) has now issued tax exemptions cards to TECRO, TECOs, and their eligible personnel and dependents that incorporate the same features and design elements as the OFM's tax exemption cards. Such privileges are authorized by AIT, not the Department of State. Therefore, these cards read "American Institute in Taiwan" on the front and include AIT's contact information on the reverse.

The **diplomatic** Tax Exemption Cards are valid nationwide and are required to be honored by all state and local taxing jurisdictions. However, the Tax Exemption Cards are not valid for exemption from Kansas sales or use taxes on vehicles, gasoline, telephones and other utilities. The procedure that must be followed to obtain tax exemption on these purchases is explained in the following sections.

Vehicle Tax Exemption

The OFM enforces the exemption of eligible foreign missions and officials when the mission or official buys or leases a vehicle. The purchaser must first present an OFM or AIT issued Tax Exemption Card. The dealer MUST retain a copy of this card ***AND*** contact OFM at (202) 895-3500 ext. 2. OFM then determines the tax-exempt status of the buyer and provides a letter to the seller that states whether or not the buyer is eligible for tax exemption on the sale or lease of the vehicle. Only authorization letters provided directly from OFM to the seller are valid for tax-exemption on a vehicle sale. Additional information is available from the OFM or its web site: www.state.gov/ofm/tax/vehicles/

Gasoline Tax Exemption

A gasoline tax exemption is extended to missions and officials using tax-exempt oil company credit card accounts. Gasoline purchased with cash is not tax exempt. Sales tax exemption cards may not be used to purchase gasoline tax-free. Eligible diplomats must submit a completed oil company credit card application and OFM form DS-99 (Application for **Diplomatic** Exemption from Taxes on Gasoline) to OFM for processing and approval.

Utility and Telephone Tax Exemption

The Office of Foreign Missions administers the utility tax exemption program. Utility tax exemption (e.g. electricity, natural gas, cellular phones, and telephone) is based on reciprocity. To obtain the exemption, eligible diplomats must submit a completed OFM form DS-98 (Application for **Diplomatic** Exemption from Taxes on Utilities) to OFM for approval.

Kansas Retailer Record Keeping

Retailers should read and honor the level of exemption printed on the card. Some

exemptions have a minimum purchase requirement and some do not allow exemption from hotel or lodging taxes (Kansas Transient Guest Tax). A Mission exemption card, issued to consulate, embassy or international organization employees, is only for mission purchases paid for by mission check or credit card (no cash or personal check). Retailers may use a tax-exempt card database on OFM's web site to verify that the card is an active **diplomatic** tax exemption. The database provides a card's identification number, expiration date and level of exemption.

To document a **diplomatic** sales tax exemption for your records, you must make a copy of the Tax Exemption Card and keep it with your other sales and use tax records. In the case of a vehicle sale or lease, you must also obtain a tax-exempt status determination letter from the OFM (procedure outlined above) in addition to a copy of the card, and retain both in your sales tax records.

TAXPAYER ASSISTANCE

Additional information about the **diplomatic** tax exemption program is available from OFM's web site, https://ofmapps.state.gov/tecv. Any questions regarding the eligibility of **diplomatic** or consular officers for sales or use tax exemption should be directed to:

Office of Foreign Missions DS/OFM
3507 International Place, NW
Washington, DC 20522-3303
(202) 895-3500 ext. 2
Email: OFMTaxCustoms@state.gov

Houston regional office: (713) 272-2865
Email: OFMHOCustomerService@state.gov

Additional copies of this notice, forms or publications are available from our web site, **www.ksrevenue.org**. If you have questions about sales and use tax, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
915 SW Harrison St., 1st Floor
Topeka, KS 66612-1588
Phone: 785-368-8222
Fax: 785-291-3614