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DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2011-25

RE: General Excise Tax and Transient Accommodation Tax Exemptions for Foreign Diplomats and Consular Officials

In November, Hawaii will host the Asia-Pacific Economic Cooperation (APEC) Summit. It is anticipated that during this event a large number of foreign diplomats and consular officials will be present, so the Department would like to remind vendors that gross receipts from sales made to foreign diplomats or consular officials may be exempt from both General Excise Tax (GET) and Transient Accommodations Tax (TAT).

Section 237-24.3(11), Hawaii Revised Statutes (HRS), exempts from GET "amounts received from foreign diplomats and consular officials who are holding cards issued or authorized by the United States Department of State granting them an exemption from state taxes."

Section 237D-3(8) states that the TAT shall not apply to "accommodations furnished to foreign diplomats and consular officials who are holding cards issued or authorized by the United States Department of State granting them an exemption from state taxes."

The United States Department of State (State Department) issues cards to missions[1] and diplomats granting them exemptions from state taxes to the extent the missions' and diplomats' home countries offer a similar exemption to U.S. missions and diplomats. The State Department issues four types of cards. Each card prominently features the name and picture of the exempt official. Also, each card bears one of four animal symbols which indicates the specific type of tax exemption the cardholder has been granted.

Cards bearing an **owl** symbol are used solely in connection with official purchases.[2] Amounts received from these cardholders for sales ordinarily subject to GET or TAT are exempt from such taxes if the purchase is made for official purposes.

[1] A mission is a group of people from one state (i.e., sovereign country or nation) present in another state (in this case, the United States), for the purpose of representing that state in the receiving state. In other words, a mission is a foreign country's embassies and consuls, and the diplomats and consuls who work for them.

[2] Official purchases are those purchases made on behalf of the mission for which the diplomat or consul works.

Cards bearing a **buffalo** symbol are also used solely in connection with official purchases. However, these cardholders are subject to some restrictions. For example, a card bearing a buffalo symbol may indicate that its cardholder is not exempt from hotel tax.[3] A different cardholder's buffalo card may indicate it does not exempt the cardholder from purchases of clothing or purchases from restaurants. Amounts received from these cardholders for sales ordinarily subject to GET or TAT are exempt from such taxes if (1) the purchase is made for official purposes and (2) the card does not indicate that it specifically does not apply to the purchase in question.

Cards bearing an **eagle** symbol are used solely in connection with personal purchases. Amounts received from these cardholders for sales ordinarily subject to GET or TAT are exempt from such taxes if the purchase is made for personal purposes.

Cards bearing a **deer** symbol are also used solely in connection with personal purchases. However, these cardholders are subject to some restrictions. For example, a card bearing a deer symbol may indicate that its cardholder is only exempt on purchases over $300. Amounts received from these cardholders for sales ordinarily subject to GET or TAT are exempt from such taxes if (1) the purchase is made for personal purposes and (2) the card does not indicate that it specifically does not apply to the purchase in question.

More information on these cards, including what the cards look like, can be found on page four, and can also be found online at www.state.gov/documents/organization/165505.pdf.

The validity of a card can be verified online at https://ofmapps.state.gov/tecv or by contacting the State Department Office of Foreign Missions by telephone at (202) 895-3500, x2.

Vendors are exempt only from GET and TAT on amounts received from diplomats and consuls. All other taxes apply, including rental motor vehicle surcharge tax, regardless of what is stated on the diplomat's or consul's card. Taxes on telecommunications, other utilities, gasoline purchases, as well as the rental motor vehicle surcharge tax, are not exempted by United States Department-issued cards but may be exempted by other means which are described at www.state.gov/ofm/tax.

These exemptions apply only to amounts received from the cardholder him or herself. The cardholder may not give his or her card to another person to use. Please be sure to check that the picture on the card matches the person who presents it to you. However, cardholders may make purchases for others (e.g., a diplomat may treat a guest to a meal at a restaurant, or purchase a hotel room for a friend), and the amounts received for those purchases are exempt. If the cardholder is the one making the purchase, and the purchase is exempt according to his card, the gross receipts are exempt regardless of who actually consumes the service or item purchased.

[3] In such a case, the hotel which furnished the room to the consul or diplomat would still owe TAT on the gross rental receipts it received.

Any business claiming an exemption under Section 237-24.3(11) or 237D-3(8) must have documents to support the exemption. The business may photocopy the tax exemption card (both sides if the exemption information is on the back of the card) and retain it with its records. Alternatively, the business may record the buyer's name, mission (country), card number, expiration date, and level of exemption.

Example 1: A consular official purchases office supplies and books twenty hotel rooms for a visiting official delegation. The consular official presents a tax exemption card bearing an owl symbol and pays for the supplies and hotel rooms with a mission credit card. The seller of the supplies and the hotel operator photocopies both sides of the tax exemption card. The gross income received from the sale of supplies is exempt from the GET. The gross income received by the hotel for furnishing the twenty rooms is exempt from the GET and TAT.

Example 2: A foreign diplomat purchases a meal at a restaurant for himself and several of his guests. The diplomat presents a tax exemption card bearing an eagle symbol. A restaurant employee records the diplomat's name, mission, card number, expiration date, and level of exemption. The gross income received from this meal is exempt from the GET. Note that the gross proceeds for the entire meal are exempt, even though the diplomat's guests are not themselves exempt cardholders. The key fact is whether the person paying for the meal is an exempt cardholder, not who specifically consumes the meals.

Example 3: A foreign diplomat books a hotel room. The diplomat presents a card bearing a deer symbol which clearly states: "NOT VALID AT HOTELS." The gross income received by the hotel for furnishing this room is subject to both GET and TAT.

Example 4: A consular official books a bus from a vehicle rental company for purposes of transporting consular officials during an international economic summit. The official presents a tax exemption card bearing an owl symbol and pays for the bus rental with a mission credit card. The vehicle rental company photocopies both sides of the tax exemption card. The gross income received by the vehicle rental company is exempt from the GET. However, the vehicle rental company must still pay the Rental Motor Vehicle and Tour Vehicle Surcharge Tax for each day the bus is rented to the consular official.

Example 5: A foreign diplomat purchases a tour package which includes a catamaran cruise, admission to a luau, and an extravaganza. The foreign diplomat presents the tour packager with a tax exemption card bearing an eagle symbol. The tour packager photocopies both sides of the tax exemption card. The tour packager then provides copies of the photocopied tax exemption card to each tourism-related service provider providing a service that is part of the tour package sold to the foreign diplomat (i.e., the catamaran ride provider, the luau provider and the extravaganza provider). The tour packager and all three tourism-related service providers are exempt from GET on their respective portions of the proceeds from the sale of the tour package to the foreign diplomat.

U.S. Department of State
Bureau of Diplomatic Security
Office of Foreign Missions
OFM

TAX EXEMPTION CARDS

NEW U.S. DEPARTMENT OF STATE DIPLOMATIC TAX EXEMPTION CARDS

A New Design/Multiple Security Features/Faster Validation

In June 2011, the U.S. Department of State will begin issuing a newly designed *Diplomatic Tax Exemption Card* to eligible foreign diplomatic and consular missions, and in most cases to their personnel and eligible family members. Such missions and their members use these cards to obtain exemption from sales, occupancy, restaurant, and other similar taxes imposed on either their official or personal purchases in the United States or its territories.

The newly designed cards incorporate state-of-the-art security features as well as other elements intended to assist with the validation of the cardholder's entitlement to tax exemption privileges. The validity of a *Diplomatic Tax Exemption Card* can be verified on-line at **https://ofmapps.state.gov/tecv/** or by contacting OFM by telephone at (202) 895-3500, x2. Please visit **www.state.gov/ofm/tax/** for additional information.

▸*NEW* DOS Tax Exemption Cards



Each tax exemption card bears one of the following animal symbols indicating the specific type of tax exemption of the cardholder.

OWL 	Cards with this image are intended to be used solely in connection with **official** purchases; the cardholder/mission is eligible for exemption from sales, occupancy, restaurant/meal, and other similarly imposed taxes without restriction.	**BUFFALO** 	Cards with this image are intended to be used solely in connection with **official** purchases; the cardholder/mission is subject to some degree of restriction on exemption from sales, occupancy, restaurant/meal, and other similarly imposed taxes. (For example, such cards may read "EXEMPT FROM TAXES IMPOSED ON PURCHASES OVER $300; NOT VALID AT HOTELS.")
EAGLE 	Cards with this image are intended to be used solely in connection with **personal** purchases; the cardholder is eligible for exemption from sales, occupancy, restaurant/meal, and other similarly imposed taxes without restriction.	**DEER** 	Cards with this image are intended to be used solely in connection with **personal** purchases; the cardholder is subject to some degree of restriction on exemption from sales, occupancy, restaurant/meal, and other similarly imposed taxes. (For example, such cards may read "EXEMPT FROM TAXES IMPOSED ON PURCHASES OF HOTEL STAYS, RESTAURANT MEALS, AND RENTAL CARS.")

Date: June 2011

For more information related to this Announcement, please contact the Rules Office at 808-587-1577.



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