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EXEMPTION FOR FOREIGN DIPLOMATIC PERSONNEL

RAB-09-6. This bulletin explains the exemption for foreign diplomatic personnel as it relates to Michigan sales tax, use tax, airport parking tax, and convention facility development tax and reflects the changes to the appearance of personal and mission tax exemption cards issued by the U.S. Department of State. For purposes of this bulletin, foreign diplomatic personnel include diplomats, consular officers, administrative and technical employees and service staff.

Exemption from tax is one of the privileges enjoyed by foreign diplomatic and consular personnel under the provisions of the Vienna Convention on Diplomatic Relations and the Vienna Convention on Consular Relations. These treaties have been ratified by the United States Senate and are the supreme law of the land under Article VI of the U.S. Constitution.

In 1985, the United States Department of State, Office of Foreign Missions (OFM), instituted a new tax exemption card program for foreign diplomatic and consular personnel in the United States. This program grants exemption only to eligible representatives of countries that extend reciprocal tax exemption to U.S. personnel abroad.

Foreign officials entitled to exemption are issued a tax exemption card by the OFM. The plastic cards, which are the size of credit cards and have a hologram, are valid nationwide and in the Commonwealth of Puerto Rico. For identification purposes, the individual's name, photograph, mission employed by, expiration date, and protocol identification number are provided on the card. Samples of the cards are attached as Exhibit A.

Levels of Exemption

There are two different types of exemption cards: Personal and Official/Mission. Each card will have one of two different levels of sales and use tax exemption. The level and kind of exemption are designed to match the levels of exemption encountered by American Embassies in foreign countries. For both types of cards, the level of tax exemption is indicated by the color of the card and the written explanation in the colored box. **Tax exemption cards do not allow holders to purchase gasoline, vehicles or utilities free of tax.**

Cards With Blue Stripes

The cards with the blue stripe exempt the bearer from all state and local taxes, including hotel room taxes. An individual bearing a blue card is exempt from: (1) sales tax; (2) use tax on

telephone bills, hotel rooms, leases of tangible personal property and purchases from out-of-state vendors; (3) airport parking tax; and (4) convention facility development tax.

Cards With Yellow Stripes

Cards with the yellow stripe require the bearer to purchase a minimum amount of goods or services before the bearer is entitled to tax exemption. The requirements may range from a specified purchase amount or could exclude certain sectors from exemption, with the most common exclusion being hotel taxes. Exclusions from tax exemption are indicated on the card as an exception. The total of all items purchased in a single transaction must exceed the exemption level indicated on the card. Provided the minimum exemption level for a single transaction is reached and the product/service purchased is not listed as an exception on the card, the individual bearing the yellow card is exempt from: (1) sales tax; (2) use tax on telephone bills, hotel rooms, leases of tangible personal property, and purchases from out-of-state vendors; (3) airport parking tax; and (4) convention facility development tax.

The Personal Tax Exemption Card

The personal card is used at the point of sale for exemption from state and local sales, restaurant, lodging, and similar taxes normally charged to a customer. The personal card bears the photograph and identification of a duly accredited consulate, embassy, or eligible international organization employee who is entitled to the tax exemption privileges as stated on the card. This card is not transferable and is only for the personal use of the bearer whose picture appears on the front of the card.

The Mission Tax Exemption Card

The mission card is to be used only for the official purchases of a foreign consulate or embassy. It bears the photograph and identification of a consulate, embassy, or international organization employee who has been allowed official purchasing privileges for that office. This card is for official purchases only and all purchases must be made in the name of the mission and paid for by mission check or credit card (not cash or personal check). The mission card is not transferable and not to be used for personal purchases. While the consulate, embassy, or international organization employee whose picture appears on the mission card does not need to be present when official purchases are made, they are the mission's point of contact and responsible for ensuring the accuracy of the exemption.

Automobile Purchases

All vehicle purchases by diplomatic personnel must be cleared or denied for tax exemption by the OFM before the transactions are completed. In instances where the diplomatic personnel are denied tax exemption, the vendor (dealer) should collect any tax that is normally imposed at the time of purchase. Michigan vehicle dealers should follow these guidelines when selling automobiles to diplomatic personnel:

- Call the OFM Regional Office at (312) 353-5765 between the hours of 8:00 a.m. and 4:45 p.m., Monday through Friday, to confirm the purchaser's eligibility for tax exemption on an automobile purchase. Provide OFM with the name, protocol identification (PID) number and date of birth of the individual to receive immediate confirmation of eligibility or non-eligibility.
- If the purchaser holds a U.S. Department of State exemption card or a protocol identification card, the seller is required to retain a copy of the card.

- If the purchaser is eligible for tax exemption, the seller will be requested to provide the vehicle identification number (VIN) of the automobile being purchased. OFM will immediately send a letter of confirmation.
- If the purchaser is not eligible for tax exemption, the seller should collect the tax imposed by the jurisdiction in which the sale is taking place.

Vehicle Registration

All foreign diplomatic personnel must register their automobiles with the U.S. Department of State, and not with the State of Michigan, regardless of whether tax exemption is granted. To register the automobile with the U.S. Department of State, the foreign diplomat must send the Manufacturer's Certificate of Origin for a new automobile and the previous title for a used automobile to:

OFM/DMVO
U. S. Department of State
3507 International Place, N.W.
Washington, D.C. 20008-3025

OFM will register the automobile and will provide a Record of Legal Owner to the lienholder.