Memorandum

To : Mr. David J. Gau
Executive Director (MIC 73)

Date: August 9, 2016

From : Susanne Buehler, Deputy Director
Business Tax and Fee Department (MIC 43)

Subject : Board Meeting August 30 - 31, 2016
Item N: Administrative Agenda
Proposed Revisions to the Audit Manual (AM) and
Compliance Policy and Procedures Manual (CPPM)

I am requesting approval to forward the attached revisions to the AM and the CPPM to the Board Proceedings Division to be placed as a consent item on the Administrative Agenda at the August 2016 Board meeting. The proposed revisions incorporate current policies and procedures into the following chapters:

- AM Chapter 2, *Preparation of Field Audit Reports*
- AM Chapter 4, *General Audit Procedures*
- AM Chapter 4, New Exhibit 21, *Examples of Tax Exemption Cards*
- AM Chapter 6, *Vehicle, Vessel and Aircraft Dealers*
- CPPM Chapter 8, *Consumer Use Tax*
- CPPM Chapter 9, *Miscellaneous*

These revisions have been reviewed and approved by Business Tax and Fee Department and Field Operations Department management, provided to Board Members, and posted on the Board's website at http://www.boe.ca.gov/sutax/pmr.htm to solicit comments from interested parties. No comments were received from Board Members or other interested parties.

If you have any questions, please let me know or contact Ms. Lynn Whitaker at 916-324-8483.

SB:ljm

Attachment

STATE BOARD OF EQUALIZATION

BOARD APPROVED

At the August 30, 2016 Board Meeting

Joann Richmond

Joann Richmond, Chief
Board Proceedings Division

Approved:

David J. Gau

Mr. David J. Gau
Executive Director

cc: (all with attachment)
Mr. Wayne Mashihara (MIC 47)
Chief, Tax Policy Division (MIC 92)
Ms. Debra Kalfsbeek (MIC 62)
Mr. Richard Parrott (MIC 57)
Mr. Kevin Hanks (MIC 49)
Mr. John Thiella (MIC 73)
Mr. Marc Alviso (MIC 73)
Mr. Chris Lee (MIC 73)
Ms. Leila Hellmuth (MIC 43)

TAX ERRORS, ADDITIONAL TAX ADJUSTMENTS AND EXCESS TAX ADJUSTMENTS ON THE TRANSCRIPTS OF RETURNS 0206.58

Auditors are required to examine and/or make comments about the following three types of errors/adjustments on the BOE-414, *Transcripts of Returns Filed—Sales and Use Tax* (audit transcripts). However, the threshold for examining these types of errors/adjustments on audit transcripts is $250 in tax per quarter for non "D" audits and the percentage-based threshold procedures for "D" audits, as explained below.

~~Verifying tax~~ Tax E~~e~~rrors

~~Any tax differences~~ Tax errors on the audit transcript ~~of returns~~ represent the difference between tax computed by the return and tax reported, not the tax paid. Tax differences (errors) represent computational errors that occur below line 12, *Taxable Measure*, of the Sales and Use Tax Return. For example, if a taxpayer that manually prepares a paper return fails to enter the correct total on line 19, "Total State, County, Local, and District Tax," the difference between the amount entered and the correct amount results in a tax error. These tax errors should not be included in the audited taxable measure, but comments should be made in the "General Audit Comments" on ~~Form~~ the BOE-414-A under the heading "Tax Error on Return (TER)," for all errors greater than the threshold amount(s) noted below. The comments should include the period, the amount involved, and the auditor's recommendation for handling the tax error.

IRIS Verification of Tax Errors

The auditor's recommendation should result from reviewing IRIS and determining if a debit or credit tax error is valid. The following IRIS screens may be used to verify tax errors.

- APL PR can be used to verify if a tax error has already been refunded.
- DIF RM and DIF BR can be viewed for refund information.
- DIF DA or DIF DD displays whether a tax error has been billed.
- PAY BA shows the amount paid.
- REV RE screen can be used to verify if the tax error has been addressed. The reported amounts are shown on the left and if there is an unresolved computational difference, the computed amount will be shown to the right of the reported amount.

Processing Tax Errors

If the IRIS examination concludes that a tax debit difference greater than the threshold amount has not been billed, then comments should be made in the "General Audit Comments" on ~~Form~~ the BOE-414-A requesting the Return Analysis Unit (RAU) to bill the tax difference. The comments should state the period, the tax amount involved, and the auditor's recommendation for handling the error. The Audit Determination and Refund Section (ADRS) will copy the comments and email them to RAU for billing. The email will be sent to the SUTD-RAU Electronic Maintenance Requests mailbox with the subject "Tax Error on Return [Permit Number]."

If the IRIS examination concludes that a tax credit difference greater than the threshold amount has not been refunded, then comments should be made in the "General Audit Comments" on ~~Form~~ the BOE-414-A instructing ADRS to apply the tax credit to the audit liability or refund it if the audit is a net credit. (Note: Tax error credits may not be due if the amounts are found to be excess tax reimbursement. The auditor should verify this when examining the taxpayer's records and appropriate comments should be included.)

If, after investigation, it cannot be clearly determined how a tax error was handled, staff should contact the Billing Section of the ADRS for assistance.

Additional Tax Adjustments

Additional tax adjustments are made by the RAU when the tax paid with a return is greater than the computed tax due and the taxpayer has not responded to inquiries from RAU regarding the discrepancy.

Auditors should examine additional tax adjustments on the audit transcripts to determine if the additional tax was due or if it should be refunded to the taxpayer. Comments should be made in the "General Audit Comments" on the BOE-414-A under the heading "Additional Tax Adjustments" for errors greater than the threshold amount(s) noted below. If a refund is determined to be due to the taxpayer, a claim for refund should be obtained. The ADRS handles additional tax adjustments.

Excess Tax Adjustments

Excess tax adjustments are made by RAU when the claimed deduction on the return for sales tax included in "Total (gross) Sales" exceeds the tax due on the return and no other claimed deductions explain the discrepancy. RAU will correspond with the taxpayer regarding the excess tax being claimed before making the excess tax adjustment.

In addition to the discrepancy between the tax due amount and the claimed sales tax included deduction, excess tax adjustments could also result when the taxpayer enters excess tax collected amounts on the return. The current sales and use tax return contains a field "Add Excess Tax Collected" to enter any excess tax that was collected in error and was not refunded to the customers.

Auditors should examine excess tax adjustments on the audit transcripts for all errors greater than the threshold amount(s) noted below. If the taxpayer collected excess tax and has paid it to the BOE, the auditor does not need to take further action in the audit. If the excess tax adjustment is in error, the auditor should handle the adjustment in the audit and obtain a claim for refund from the taxpayer if necessary. Comments regarding all excess tax adjustments on the audit transcript should be made in the "General Audit Comments" on the BOE-414-A under the heading "Excess Tax Adjustments."

THRESHOLD AMOUNTS

Threshold for large audits (D audits)

For audits designated as difficult "D," the minimum tax errors, additional tax adjustments, or excess tax adjustments for which an auditor is required to make a comment in the "General Audit Comments" on ~~Form~~ the BOE-414-A will be based on a percentage of reported tax for each quarter. This minimum threshold will be one-tenth of a percent (0.001) of the tax reported for each quarter up to a maximum of $5,000. For tax errors greater than $5,000 per quarter in a large audit, the auditor must include a comment in the "General Audit Comments" on ~~Form~~ the BOE-414-A.

For Example:

- A "D" audit taxpayer reported $1,500,000 in tax in 2Q12. Tax errors greater than $1,500 (1,500,000 x 0.001) for this quarter will require a comment in the "General Audit Comments" on ~~Form~~ the BOE-414-A.
- A "D" audit taxpayer reported $9,000,000 in tax in 3Q12. Tax errors greater than $5,000 (the maximum threshold amount) for this quarter will require a comment in the "General Audit Comments" on ~~Form~~ the BOE-414-A.

Threshold for other audits (Non D audits)

For ~~all~~ tax errors, additional tax adjustments, or excess tax adjustments greater than $250 in tax per quarter, (regardless of the reported tax for that quarter) for both debit and credit differences, the auditor should make a comment in the "General Audit Comments" of ~~Form~~ the BOE–414–A. ~~In cases where there is a credit difference below the threshold amount, the auditor should notify the taxpayer that credit differences will not be investigated unless specifically requested by the taxpayer.~~

For Example:

- A taxpayer reported $20,000 in tax in 1Q12. Tax errors greater than $250 for this quarter will require a comment in the "General Audit Comments" on ~~Form~~ the BOE-414-A.

In cases where there is a credit difference below the threshold amounts detailed above, the auditor should notify the taxpayer that credit differences will not be investigated unless specifically requested by the taxpayer.

. . . .

Where a "no change" audit discloses an understatement of state tax and an overpayment of local tax, or vice versa, resulting in a net change of over $~~25~~250, place a notation of this fact on the front of ~~Form~~ the BOE–414–C. Then, prepare ~~Form~~ the BOE–414–L and attach it to the report to reallocate local tax between jurisdictions as appropriate.

REALLOCATION/REDISTRIBUTION THRESHOLD ~~OF TAX REPORTED TO WRONG TAX FUNDING PROGRAMS OR DISTRICT TAXING JURISDICTIONS~~ 0209.27

~~When audits disclose differences in the same quarter that are simply errors in allocating reported tax between various tax funding programs (i.e., state, local, county, districts, and state add-ons), or different districts within the same tax funding program (i.e., BART, SMCT, LACT, etc.), those errors should be netted from the audit.~~

When reallocating taxes between jurisdictions, the threshold for reallocation of tax is $250 for all errors per quarter. The threshold applies to reallocations between all of the various tax funding programs including state, local, county, districts, and state add-ons. It also applies to redistribution between different districts within the same tax funding program (e.g., BART, LACT). A reallocation should be made when either one error of $250 or more or multiple errors totaling $250 or more occur in any quarter.

DISTRICT TAX REDISTRIBUTION 0209.28

The redistribution period for district tax is limited to three quarters prior to the date the BOE obtains knowledge of the distribution to a district other than the district entitled to the tax (see RTC section 7269). The date of knowledge is to be clearly documented. The date of knowledge is deemed to be the date when a BOE employee first questions the distribution based on information contained in BOE files. If the knowledge of improper distribution is obtained during an audit, the auditor will redistribute the tax for the preceding three quarters from the date of knowledge. *For example*, the date of knowledge is 1/4/2016. The auditor can redistribute the district tax for the second, third, and fourth quarters of 2015.

When an auditor obtains knowledge that a redistribution of district tax is necessary, an STJ Reallocation schedule is to be prepared. The STJ Reallocation schedule should be emailed to the Local Revenue Branch (LRB). LRB has set up a global email box and email template to electronically transmit the STJ Reallocation schedules that are prepared in field audits. Send the STJ Reallocation schedules to: *SUTD-LRAU-STJ-Reallocation*. (See AM section 0205.41, *Transit Reallocation Attached?*.)

~~The auditor should then prepare a separate memo, addressed to the Local Revenue Allocation Section along with a reallocation schedule. Next, the auditor should attach the memo, schedule, and a copy of Form BOE-414 to the audit report explaining and showing the necessary reallocations. Also, the auditor should place a notation on the~~

~~front of the audit report as follows: "Attention Local Revenue Allocation Section, Reallocation Schedule Attached."~~

~~This procedure will be implemented for all audits and FBO's when the reallocated tax exceeds $100 and the reallocations are in the same quarter. No changes in procedure are necessary for local tax reallocations on Form BOE-414-L.~~

In instances where a retailer reports district tax that is greater than the amount due and no other jurisdiction is due the tax, and the retailer is unable to return the amounts to the purchaser, the balance will remain with the jurisdiction to which it was improperly reported.

> *For example:* A retailer engaged in business in Humboldt County properly reports Humboldt County Transactions and Use Tax (HBGT) but improperly reports City of Rio Dell Transactions and Use Tax (RDGT) and fails to report City of Eureka Transactions and Use Tax (ERKA) and City of Eureka Supplemental Transactions and Use Tax (ERST) on transactions during several quarters. Because the auditor discovered the error on February 8, 2016, an STJ Reallocation schedule should be prepared beginning with the 2Q 2015 through the end of the audit period (4Q 2015). The retailer improperly reported $10,000 of RDGT and failed to report a combined total of $7,500 of ERKA and ERST during the three quarters, leaving an excess of $2,500 that is greater than the amount due to any district. The retailer is unable to return the excess amount to the purchasers; therefore, the excess $2,500 should remain with the RDGT.

SALES TAX EXEMPTION FOR FOREIGN MISSIONS AND CONSULS~~DIPLOMATS~~ 0419.50

In general, sales and use tax applies to the sale and use of tangible personal property sold or leased to foreign governments. However, neither sales tax nor use tax applies to sales to foreign missions or representative offices, foreign consular officers, employees, and members of their families if those persons have been granted immunity from tax according to treaties or other diplomatic agreements with the United States.

Mission and Official Tax Exemption Cards – Diplomatic tax exemption cards labeled "Official Purchases Only" are issued by the U.S. Department of State, Office of Foreign Missions (OFM) to foreign missions and by the American Institute in Taiwan (AIT) to representative offices (such as the Taipei Economic and Cultural Representative Office in the United States and the Taipei Economic and Cultural Offices) for use when making official purchases. The person whose name and photo appear on the card is the mission's or representative office's point of contact and is responsible for ensuring the accuracy of the exemption. This individual does not need to be present when purchases are made in the name of the mission or representative office. Official purchases must be paid in a form of payment bearing the name of the foreign mission or representative office. Such forms of payment include official checks, official credit cards, or electronic funds transfers (automated clearinghouse debits, automated clearinghouse credits, or wire transfers). Cash, credit cards or personal checks in the name of the bearer of the mission tax exemption card cannot be used as payment.

Personal Tax Exemption Cards – Diplomatic tax exemption cards labeled "Personal Tax Exemption" are used by eligible foreign mission and representative office members and their dependents to obtain exemption from sales or use tax on personal purchases. The card is not transferable and must be used solely for the benefit of the individual identified and pictured on the card. Acceptable forms of payment include cash, credit cards or personal checks in the name of the bearer of the personal tax exemption card.

~~Effective February 15, 1986, the U.S. Department of State began issuing Tax Exemption Cards to foreign diplomatic personnel who are exempt from sales tax.~~ Each tax exemption card includes the name of the person to whom it is issued, personal identification information, a photograph, an expiration date, and an identification ~~tax exemption~~ number (e.g., PID#). ~~Many diplomatic personnel who enjoyed an exemption from sales taxes under the former program (in which cards were issued by the Board) have been denied immunity entirely.~~ The tax exemption cards also contain text on the front and back that indicate the level of exemption authorized for the cardholder. Some cards authorize an unrestricted exemption from sales taxes, and other cards authorize an exemption with some degree of restriction, such as a minimum purchase requirement, excluded categories, or both. ~~The U.S. Department of State cards will specify either that the holder of the card is exempt from sales tax on all sales or that the holder of the card is exempt from sales tax only on transactions which exceed an amount stated on the card.~~ For example, if the tax exemption card is granted for a minimum level of exemption of $~~5~~100, as indicated on the card, the purchaser must purchase merchandise aggregating over $~~5~~100 in a single transaction to qualify for the exemption. The total purchase may be composed of all taxable merchandise or a combination of taxable and non-taxable merchandise, i.e., a sale of cigarettes for $36 is exempt if sold together with $64~~5~~ non-taxable food products. Separate purchases in the same store will not qualify if the amount of each transaction does not exceed the amount indicated on the card, even though the combination of all individual purchases in that store may exceed that amount. Examples of tax exemption cards issued by OFM and AIT are provided in Exhibit 21.

To support the exemption, the retailer must prepare and retain an invoice or other written evidence of the sale and should enter the name of the purchaser, the identification number~~ of the exemption card~~, the name of the foreign mission or representative office, the expiration date of the card, and the minimum level of exemption specified on the card, if any. For official purchases, the retailer shall retain evidence that the form of payment was in the name of the foreign mission or representative office. Such payments may include official checks, official credit cards, or electronic funds transfers (automated clearinghouse debits, automated clearinghouse credits, or wire transfers).

~~Questions regarding t~~The validity of tax exemption cards may be verified at https://ofmapps.state.gov/tecv. Questions regarding tax exemption cards issued by OFM may be made~~directed~~ by telephone to the OFM at (202) 895-3500 x2~~U.S. State Department, Office of Foreign Missions~~. Questions regarding tax exemption cards issued by AIT may be made by telephone to the AIT at (703) 525–8474.

Tax exemption cards alone may not be used for exemption from taxes imposed on sales of vehicles. For special rules regarding sales of vehicles, see AM Chapter 6, “Vehicle, Vessel and Aircraft Dealers.”

~~Taiwan Diplomats Tax Exemption Cards — The United States’ Taiwan Relations Act established a nonprofit corporation called the American Institute in Taiwan, which functions much like a foreign embassy. The Act also exempted the Institute from any taxes imposed by any state or local taxing authority. Pursuant to the Act, the United States Department of State issues a tax exemption card to members of the Institute.~~

~~Sales or use tax does not apply to the sale or use of personal property sold to Taiwan diplomats holding a tax exemption card, to the level of exemption stated on the card.~~

~~Questions regarding the status of a tax exemption card of a Taiwan diplomat may be made by telephone to the American Institute in Taiwan at (703) 525–8474. The fax number is (703) 841–1385. The address is 1700 N. Moore St., 17th Floor, Arlington, VA 22209.~~

FOREIGN MISSIONS AND~~GOVERNMENTS,~~ CONSULS~~, AND CONSULATES~~

0611.50

In general, sales and use tax applies to the sale and use of tangible personal property sold or leased to foreign governments. However, ~~neither sales tax nor use tax applies to sales to foreign consular officers, employees, and members of their families if those persons have been granted immunity from tax according to treaties or other diplomatic agreements with the United States.~~

~~The U.S. State Department, Office of Foreign Missions (OFM) issues "Tax Exemption Cards" to foreign diplomatic personnel, whose purchases are exempt from sales tax. The cards include a photograph and a description of the authorized bearer and specify either that all transactions or only transactions that exceed a stated amount (threshold level) are exempt. Some cards limit the exemption to official purchases only and do not apply to personal purchases. (Taiwan Diplomats Tax Exemption Cards may appear different, see section 0419.50 for more information.)~~

~~The seller must prepare an invoice or other written evidence of the sale and attach a photocopy of the front and back of the card, the number of the exemption card, and the exemption threshold level specified on the card to support this type sale as exempt. The seller may also request additional identification from the buyer, such as U.S. State Department driver's license or diplomatic identification card.~~

~~Prior to June 1, 2003, the sale or lease of vehicles to foreign consular officers, employees, or members of their families could be exempt from the sales and use tax by providing a Tax Exemption Card to the retailer. If a foreign consular officer, employee, or members of their families did not hold a Tax Exemption Card, they could be exempted from tax if an identification letter was furnished by the OFM directly to the retailer or lessor at the time of the transaction. The letter must state the name of the purchaser or lessee, confirmation of his or her tax immunity, an identification number, and the date of assumption of duties by the diplomat seeking the exemption.~~

~~Effective June 1, 2003,~~ the sale or lease of vehicles to foreign missions or representative offices, foreign consular officers, employees, or members of their families will be exempt from the sales and use tax if at the time of the transaction, the purchaser or lessee provides ~~the~~a valid Tax Exemption Card (Personal, Mission, or Official) or protocol identification card to the retailer AND~~and~~ the U.S. Department of State, Office of Foreign Missions~~OFM~~ or the American Institute in Taiwan furnishes directly to the retailer or lessor a letter stating that the vehicle sale or lease to the purchaser is eligible for exemption from tax (~~an~~ eligibility letter)~~ for the tax exemption for each vehicle~~. The retailer or lessor must retain a copy of the front and back of the Tax Exemption Card or protocol identification card and the ~~OFM~~ eligibility letter to support the tax exemption.

For general information regarding tax exemption cards and sales and purchases of items other than vehicles, see AM section 0419.50.

FOREIGN MISSIONS AND CONSULS~~ AND CONSULAR OFFICERS~~ 820.060

In general, neither sales nor use tax applies to the sale or use of tangible personal property sold to foreign missions or representative offices, foreign consular officers, employees, or members of their families identified by a ~~U.S. Department of State~~ Tax Exemption Card issued by the U.S. Department of State, Office of Foreign Missions (OFM) or the American Institute in Taiwan (AIT). Tax does apply~~ies~~ to sales of property to foreign missions or representative offices, foreign consular officers, employees, or members of their families who do *not* hold a Tax Exemption Card. ~~In addition to the exemption provided, t~~The purchase or lease of a vehicle by a foreign mission or representative office, foreign consular officer, employee, or member of their family~~, on or after the date of assumption of duties, who does not hold a Tax Exemption Card~~ will be exempted from the sales and use taxes if the purchaser provides a valid Tax Exemption Card or protocol identification card to the retailer AND~~and~~ a~~n identification~~ letter is furnished directly to the retailer by the OFM~~ffice of Foreign Missions, U.S. Department of State~~ or the AIT stating that the vehicle sale or lease to the purchaser is eligible for exemption from tax. (Regulation 1619, *Foreign Missions and Consuls*)

SALES & USE TAX EXEMPTION FOR FOREIGN MISSIONS AND CONSULS~~DIPLOMATS~~ 930.000

GENERAL 930.010

In general, neither sales tax nor use tax applies to the sale or use of tangible personal property sold to foreign missions or representative offices, foreign consular officers, employees, and members of their families if those persons have been granted immunity from tax according to treaties or other diplomatic agreements with the United States. (Regulation 1619, *Foreign Missions and Consuls*)

~~Effective February 15, 1986, the U.S. Department of State began issuing Tax Exemption Cards to foreign diplomatic personnel who are exempt from sales and use tax. The sales and use tax exemption is granted on the basis of reciprocity with foreign governments and the Department of State grants tax immunity to diplomatic personnel of each foreign country only to the extent that the foreign country, in fact, grants immunity to U.S. diplomatic personnel. Many diplomatic personnel who enjoyed an exemption from sales and use taxes under the former program (in which cards were issued by the Board) have been denied immunity entirely. Many others are granted an exemption only for single transactions, which exceed an amount stated on the card.~~

~~The purchase of a vehicle by a foreign consular officer who does not hold a Tax Exemption Card will be exempt from the sales and use taxes if an identification letter is furnished directly to the retailer by the Office of Foreign Missions, U.S. Department of State. Such letter must confirm the name, immune status, identification number, and date of assumption of duties of the diplomat seeking the exemption and must be furnished to the retailer at the time of the sale.~~

~~Retailers with questions which are outside the scope of Board responsibilities should be advised to write: Office of Foreign Missions, U.S. Department of State, Room 2442, Washington, DC 20520.~~

~~Reference: Regulation 1619~~

TAX EXEMPTION CARDS 930.020

Mission and Official Tax Exemption Cards – Diplomatic tax exemption cards labeled “Official Purchases Only” are issued by the U.S. Department of State, Office of Foreign Missions (OFM) to foreign missions and by the American Institute in Taiwan (AIT) to representative offices (such as the Taipei Economic and Cultural Representative Office in the United States and the Taipei Economic and Cultural Offices) for use when making official purchases. The person whose name and photo appear on the card is the mission’s or representative office’s point of contact and is responsible for ensuring the accuracy of the exemption. This individual does not need to be present when purchases are made in the name of the mission or representative office. Official purchases must be paid in a form of payment bearing the name of the foreign mission or representative office. Such forms of payment include official checks, official credit cards, or electronic funds transfers (automated clearinghouse debits, automated clearinghouse credits, or wire transfers). Cash, credit cards or personal checks in the name of the bearer of the mission tax exemption card cannot be used as payment.

Personal Tax Exemption Cards – Diplomatic tax exemption cards labeled “Personal Tax Exemption” are used by eligible foreign mission and representative office members and their dependents to obtain exemption from sales or use tax on personal purchases. The card is not transferable and must be used solely for the benefit of the individual identified and pictured on the card. Acceptable forms of payment include cash, credit cards or personal checks in the name of the bearer of the personal tax exemption card.

Each tax exemption card includes the name of the person to whom it is issued, personal identification information, a photograph, an expiration date, and an identification number (e.g., PID#). The tax exemption cards also contain text on the front and back that indicate the level of exemption authorized for the cardholder. Some cards authorize an unrestricted exemption from sales taxes, and other cards authorize an exemption with some degree of restriction, such as a minimum purchase requirement, excluded categories, or both. For example, if the tax exemption card is granted for a minimum level of exemption of $100, as indicated on the card, the purchaser must purchase merchandise aggregating over $100 in a single transaction to qualify for the exemption. The total purchase may be composed of all taxable merchandise or a combination of taxable and non-taxable merchandise, i.e., a sale of cigarettes for $36 is exempt if sold together with $64 non-taxable food products. Separate purchases in the same store will not qualify if the amount of each transaction does not exceed the amount indicated on the card, even though the combination of all individual purchases in that store may exceed that amount. Examples of tax exemption cards issued by OFM and AIT are provided in AM Chapter 4, Exhibit 21.

~~Tax exemption cards issued by the U.S. State Department are laminated and prepared on press numbered stock. They are fraud resistant, tamper proof and nontransferable. Each card includes the name of the person to whom it is issued, personal identification information, a photograph, an expiration date, and a tax exemption number. The cards will specify either that the holder of the card is exempt from sales tax on all sales or that the holder of the card is exempt from sales tax only on transactions which exceed an amount stated on the card.~~

~~Some cards provide that the exemption applies only when the total of all items purchased in a single transaction (that is, on a single bill) exceeds a threshold amount of $50, $100, $150, $200, or some other amount. For example, if the tax exemption card is granted for a minimum level of exemption of $50, as indicated on the card, the purchaser must purchase merchandise aggregating over $50 in a single transaction to qualify for taxable and non-taxable merchandise, i.e., a sale of cigarettes for $6 is exempt if sold together with $45 non-taxable food products. Separate purchases in the same store will not qualify if the amount of each transaction does not exceed the amount indicated on the card, even though the combination of all individual purchases in that store may exceed that amount.~~

~~Mission Tax Exemption cards are subject to the same restrictions as individual cards. Moreover, mission cards may be used only for official purchases; they may not be used for individual, personal purchases.~~

~~The U.S. State Department will provide the Board with quarterly printouts of current card holders and will respond to telephone inquiries regarding the validity of cards issued in the interim on a routine basis. The printouts will be maintained in the Headquarters Program Planning Division, Special Projects Team. Any questions regarding the validity of a card should be directed to that unit.~~

~~TAIWAN DIPLOMATS TAX EXEMPTION CARDS 930.025~~

~~The United States' Taiwan Relations Act established a nonprofit corporation called the American Institute in Taiwan, which functions much like a foreign embassy. The Act also exempted the Institute from any taxes imposed by any state or local taxing authority. Pursuant to the Act, the United States Department of State issues a tax exemption card to members of the Institute.~~

~~Sales or use tax does not apply to the sale or use of personal property sold to Taiwan diplomats holding a tax exemption card, to the level of exemption stated on the card. Questions regarding the status of a tax exemption card of a Taiwan diplomat may be made by telephone to the American Institute in Taiwan at (703) 525–8474. The fax number is (703) 841–1385. The address is 1700 N. Moore St., 17th Floor, Arlington, VA 22209.~~

SUPPORTING DOCUMENTATION 930.030

To support the exemption (for sales other than vehicles), the retailer must prepare and retain an invoice or other written evidence of the sale and should enter the name of the purchaser, the number of the exemption card, the name of the foreign mission or representative office, the expiration date of the card, and the minimum level of exemption specified on the card, if any. For official purchases, the retailer shall retain evidence that the form of payment was in the name of the foreign mission or representative office. Such payments may include official checks, official credit cards, or electronic funds transfers (automated clearinghouse debits, automated clearinghouse credits, or wire transfers).

~~To support each transaction claimed as an exempt sale of a vehicle to a foreign diplomat not holding a Tax Exemption Card, the identification letter from the Office of Foreign Missions, U.S. Department of State, confirming the immune status of the diplomat must be retained by the retailer.~~ The sale or lease of vehicles to foreign missions or representative offices, foreign consular officers, employees, or members of their families will be exempt from the sales and use tax if at the time of the transaction, the purchaser or lessee provides a valid Tax Exemption Card (Personal, Mission, or Official) or protocol identification card to the retailer and the U.S. Department of State, Office of Foreign Missions (OFM) or the American Institute in Taiwan furnishes directly to the retailer or lessor a letter stating that the vehicle sale or lease to the purchaser is eligible for exemption from tax (eligibility letter). The retailer or lessor must retain a copy of the front and back of the Tax Exemption Card or protocol identification card and the eligibility letter to support the tax exemption.

Retailers who have any questions regarding the identification of the bearer may ask to see additional forms of identification, such as Diplomatic ID, Driver's License, etc. The validity of tax exemption cards may be verified at https://ofmapps.state.gov/tecv. Questions regarding tax exemption cards issued by OFM may be made by telephone to the OFM at (202) 895-3500 x2. Questions regarding tax exemption cards issued by the AIT may be made by telephone to the AIT at (703) 525–8474.

OFM TAX EXEMPTION CARDS

The U.S. Department of State issues tax exemption cards to eligible foreign missions, accredited members and dependents on the basis of international law and reciprocity. These cards authorize exemption from sales tax, occupancy tax, and similarly imposed taxes at the point of sale.

✓ **YES** ***most goods and services, hotel stays, and restaurant meals (subject to restrictions)***

× **NO** ***motor vehicles, gasoline/diesel fuel, utility services, or property tax (requests must be sent to OFM)***

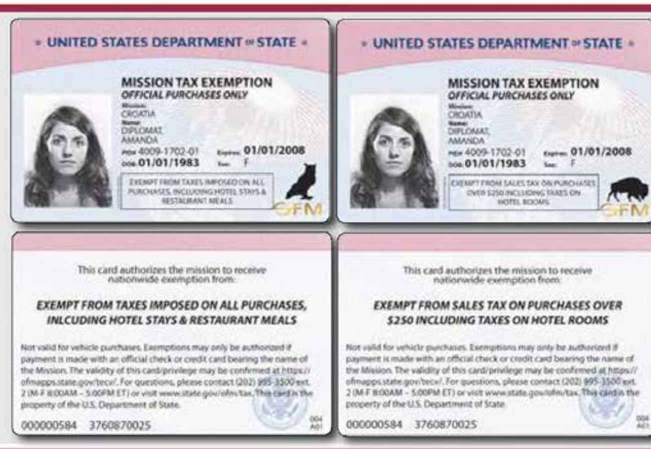
Please verify the validity of a tax exemption card at **https://ofmapps.state.gov/tecv/** or by contacting the **Office of Foreign Missions (OFM)** during business hours:

Washington, DC	(202) 895-3500 x2
Chicago	(312) 353-5762
Houston	(713) 272-2865
Los Angeles	(310) 235-6292
Miami	(305) 442-4943
New York	(646) 282-2825
San Francisco	(415) 744-2910

For more information, please visit **http://www.state.gov/ofm/tax.**

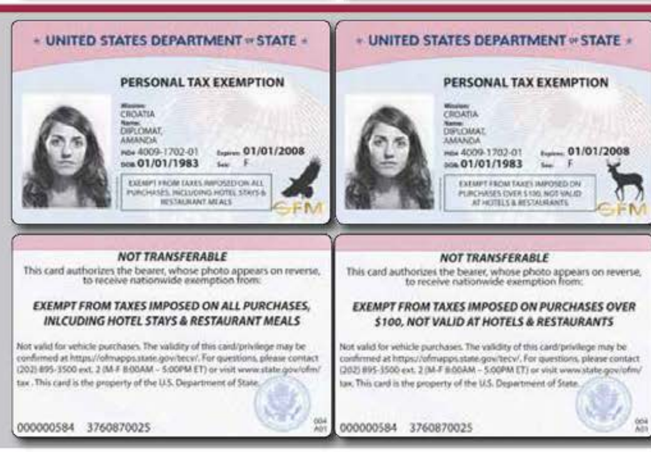
OFFICIAL PURCHASES

- Used by missions
- Payment in mission's name
- Individual pictured need not be present
- **OWL: no restrictions**
- **BUFFALO: some restrictions (please read card)**



PERSONAL PURCHASES

- Not transferable
- Any form of payment
- For benefit of individual pictured
- **EAGLE: no restrictions**
- **DEER: some restrictions (please read card)**



AMERICAN INSTITUTE IN TAIWAN
TAX EXEMPTION CARDS

Under U.S. law, the Taipei Economic and Cultural Representative Office (TECRO), Taipei Economic and Cultural Offices (TECOs), their eligible employees and dependents are also eligible for tax exemption privileges. These privileges are authorized by the **American Institute in Taiwan (AIT)** and not the U.S. Department of State.

Please verify the validity of an AIT tax exemption card at **https://ofmapps.state.gov/tecv/** or by contacting AIT during business hours at **(703) 525-8474**.

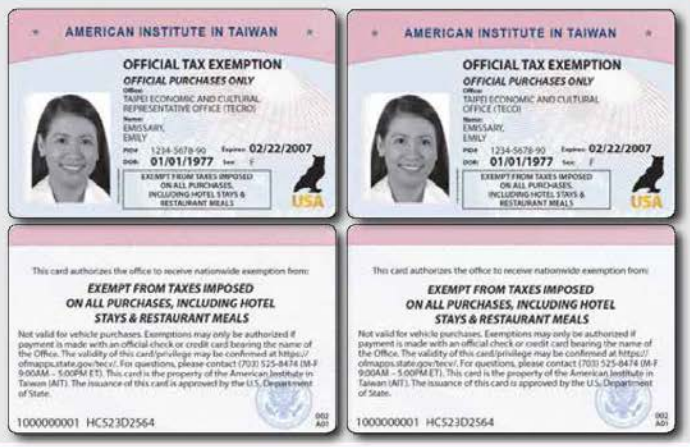
Like the other tax exemption cards, these cards authorize exemption from sales tax, occupancy tax, and similarly imposed taxes at the point of sale.

✓ **YES** ***most goods and services, hotel stays, and restaurant meals***

× **NO** ***motor vehicles, gasoline/diesel fuel, utility services, or property tax (requests must be sent to AIT)***

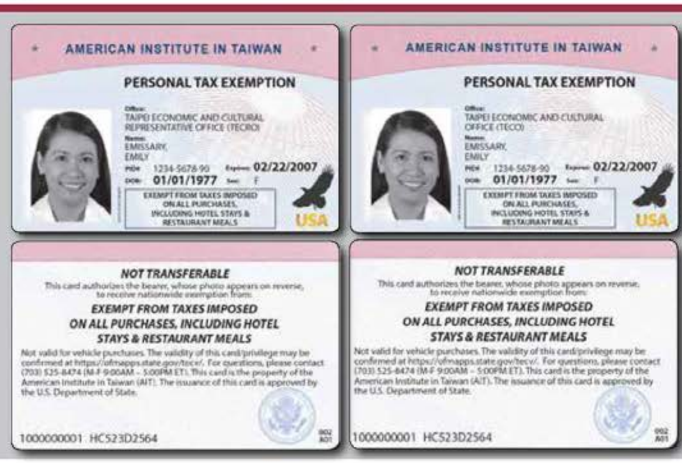
OFFICIAL PURCHASES

- Used by TECRO/TECO
- Payment in TECRO/TECO's name
- Individual pictured need not be present
- **OWL: no restrictions**



PERSONAL PURCHASES

- Not transferable
- Any form of payment
- For benefit of individual pictured
- **EAGLE: no restrictions**



DECEMBER 2014