

STATE OF ARIZONA

Department of Revenue



Janet Napolitano
Governor

J. Elliott Hibbs
Director

January 20, 2004

Cliff Seagroves
Diplomatic Tax Exemption Officer
United States Department of State
Office of Foreign Missions
3507 International Place, NW
Washington, DC 20522-3303

Dear Mr. Seagroves:

The following information concerning Arizona's recognition of the United States Department of State's diplomatic exemption program is provided in response to your letter dated January 6, 2004.

Arizona imposes a transaction privilege tax that differs from the sales tax imposed by most states. The Arizona transaction privilege tax is a tax imposed on the privilege of conducting business in the State of Arizona. This tax is levied on the vendor, and not the purchaser. The vendor may pass the burden of the tax on to the purchaser; nonetheless, the vendor is ultimately liable for the tax.

Notwithstanding the fact that the tax is not imposed directly on the purchaser, Arizona does recognize the diplomatic tax exemptions that are granted by the U.S. Department of State.

Arizona vendors who inquire about this matter are informed that the Office of Foreign Missions issues tax exemption cards to certain diplomatic and consular mission members. These exemptions are to be honored in Arizona to the extent of the exemption allowed by the card.

Vendors are furnished with a copy of the State Department's brochure that explains this exemption program. Their attention is called to the fact that the cards are color-coded to indicate the extent of the exemption allowed. Some cards are valid for exemption from tax on hotel accommodations while others specifically exclude hotels from exemption. Also, some cards are not valid for purchases below a stated dollar threshold.

Vendors are advised that they should make a photocopy of both sides of the card and retain it with their records to establish entitlement for the deductions for these exempt transactions.

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Arizona statutes do not directly provide an exemption for diplomatic and consular mission members and the subject is not addressed by administrative rule. Nonetheless, if you wish, you may furnish copies of this letter to Arizona vendors, as appropriate, as a means of informing them of these allowable deductions from the transaction privilege tax.

If I can be of any additional service, please contact me at 602.716.6803.

Sincerely,



Christie Comanita
Manager
Tax Research & Analysis

Ref: B.7