

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:

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Refer Reply To:

CC:INTL:BR1 – PLR-112405-04

Date:

September 02, 2004

In Re:

Legend

Employer =

Date A =

Country A =

Dear

This responds to a letter from Employer's authorized representative dated A, in which Employer requests a ruling that salaries, wages, and similar remuneration paid to employees of Employer, an agency of the government of Country A, are exempt from U.S. taxation under the income tax treaty between the United States and Country A.

The rulings contained in this letter are based upon information and representations submitted by Employer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for ruling, it is subject to verification on examination.

Employer provides policy advice to the government of Country A on enterprise and trade matters, and also assists companies of Country A with respect to increasing export sales. Nearly all of the funding received by Employer is from the government of Country A.

Certain employees of Employer are based in the United States and hold A-2 visas as nondiplomatic representatives of the government of Country A. They are not citizens of the United States and do not have immigrant status in the United States.

Their U.S. resident status, if applicable, arose solely for the purpose of rendering services to Employer or other agencies of the government of Country A.

The government service article of the income tax treaty between the United States and Country A generally provides that salaries, wages, and similar remuneration paid by a state to an individual for services rendered to that state are taxable only in that state. The income is taxable only in the other state where the services were performed, however, if the individual is a citizen and resident of the other state, or if the individual is a resident of the other state and did not become a resident of the other state solely for the purpose of rendering the services to the first state. The income may be taxable by the other state if the services are rendered in connection with a business carried on by the first state.

Employer represents that its employees are not citizens of the United States, and were not residents of the United States prior to their employment by Employer in the United States. Employer also represents that its activities are of a governmental nature, and that it is not carrying on a business. Based on the representations made, we conclude that the salaries, wages, and similar remuneration paid to the employees of Employer are exempt from U.S. taxation under the government service article of the income tax treaty between the United States and Country A.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to Employer's representative.

Sincerely,

M. Grace Fleeman
Senior Counsel
Office of Associate Chief Counsel
(International)