

2 FAM 270

TAX EXEMPTIONS ACCORDED FOREIGN REPRESENTATIVES IN THE UNITED STATES

(CT:GEN-324; 12-6-2005)
(Office of Origin: L/DL)

2 FAM 271 REAL PROPERTY OWNED BY FOREIGN GOVERNMENTS

2 FAM 271.1 General

(CT:GEN-324; 12-6-2005)

- a. In accordance with the Vienna Convention on Diplomatic Relations (VCDR) and the Vienna Convention on Consular Relations (VCCR), property held in the name of a foreign government for use as its chancery, chancery annex, consulates, or the residence of the chief of mission or the career head of the consular post enjoys exemption from all national, regional, and municipal dues and taxes. In 1987, exemption from dues and taxes was extended on a reciprocal basis to other foreign government-owned residences used to house members of the diplomatic missions in the Washington DC Metropolitan Area.
- b. Absent a bilateral agreement, property tax exemption is not generally granted to residences owned by foreign governments used to house members of consular posts or missions to international organizations, except as noted above, for residences of career heads of the consular posts or chiefs of missions to the international organizations.
- c. Real property tax exemption in the Washington Metropolitan Area is obtained through the Office of Foreign Missions (OFM). Exemption from real estate taxes does not include exemption from charges for services such as collection of refuse or any other separately identified charges for specific commodities or services that may appear on a tax assessment.

2 FAM 271.2 Transfer and Recordation Tax Exemption

(CT:GEN-324; 12-6-2005)

On the basis of the VCDR and reciprocity, OFM will request exemption from transfer and recordation taxes associated with the purchase or sale of real property by foreign missions in the Washington Metropolitan Area. The procedures for obtaining such exemptions vary among the local jurisdictions. OFM will assist as appropriate in other jurisdictions across the United States. For transactions in the Washington Metropolitan Area, the mission shall request such exemptions from transfer and/or recordation taxes through OFM before the settlement date.

2 FAM 272 REAL PROPERTY OWNED BY FOREIGN REPRESENTATIVES

(CT:GEN-324; 12-6-2005)

In accordance with the VCDR, real property personally owned by individual members of foreign missions is subject to taxation, except for a residential property personally owned and occupied by a chief of mission as his/her residence.

2 FAM 273 MOTOR VEHICLE TAXES, DUTIES, AND FEES

(CT:GEN-324; 12-6-2005)

- a. OFM/DMV will collect reciprocal registration fees or surcharges [taxes/duties] as well as reciprocal disposition fees and surcharges [taxes/duties] from any foreign mission (official vehicles) and from any member of the foreign mission community (personal vehicles) at the appropriate time of registration or disposition of the motor vehicle as determined by OFM/DMV's country-specific reciprocity policy. If appropriate, OFM/DMV can recalculate a fee or surcharge [tax/duty] using the reciprocal formula to collect or refund the difference as circumstances warrant.
- b. OFM/DMV is the sole provider in the United States and its territories of motor vehicle services to foreign missions, their members, and their members' dependents, except for locally engaged staff, U.S. citizens, or legal permanent residents (LPR). Motor vehicles include automobiles, motorcycles, buses, trucks, and trailers that are imported, locally

purchased, leased or transferred within the foreign mission community.

2 FAM 274 INCOME TAX

2 FAM 274.1 Official Wages

(CT: 324; 12-6-2005)

The wages, fees, or salary of certain members of the foreign mission community—diplomatic and consular officers, administrative and technical staff members, non-diplomatic representatives, or employees of international organizations—received as compensation for official service to such government or international organization, are exempt from federal, state, territorial, and local income tax provided that:

- (1) Such employee is not a U.S. citizen.
- (2) Such employee is eligible under Article 34 of the Vienna Convention on Diplomatic Relations (VCDR), Article 49 of the Vienna Convention on Consular Relations or another bilateral or multilateral agreements.
- (3) The foreign government whose employee is claiming exemption grants an equivalent exemption to employees of the U.S. government performing similar services in such foreign country and documents the availability of this privilege through an exchange of diplomatic notes and reported to OFM/TC.
- (4) Such employee is not an alien who has been admitted into the United States as a permanent resident and who, in this connection, has filed a waiver of all rights, privileges, and immunities under section 247(b) of the Immigration and Nationality Act.
- (5) Such employee, if determined by S/CPR (Protocol) as “permanently resident in” the United States, an equivalent exemption has been documented through an exchange of diplomatic notes and reported to OFM/TC.

2 FAM 274.2 Non-Official Earnings

(CT:GEN-324; 12-6-2005)

Members of the foreign mission community are not entitled to an exemption of federal, state, territorial, or local income tax requirements on the basis of diplomatic or consular status for non-official income or earnings received in the United States. Such earnings include, but are not limited to, interest or investment income, capital gains, and gambling winnings. If a bilateral income tax agreement exists between the United States and a foreign

country, such earnings may be exempt from taxation or eligible for reduced rates. Individuals interested in determining if such an agreement exists, should contact the Internal Revenue Service (IRS) or a tax professional.

2 FAM 275 SOCIAL SECURITY TAX

(CT:GEN-324; 12-6-2005)

All foreign diplomatic and consular officers and employees assigned to the United States and paid by foreign governments are excluded from the benefits of, and exempt from the taxes levied under, the Social Security system. U.S. nationals employed in the United States by foreign governments pay social security taxes as self-employed persons.

2 FAM 276 SALES TAX

(CT:GEN-324; 12-6-2005)

Although many of the States and cities in the United States impose a tax on the retail sale of commodities and services, there is no Federal sales tax. On the basis of reciprocity, OFM/TC extends or limits the ability of a foreign mission or member to receive relief of sales tax.

2 FAM 277 HOTEL AND RESTAURANT TAXES

(CT:GEN-324; 12-6-2005)

Purchases at hotels and restaurants throughout the United States are generally subject to both sales and locally-imposed occupancy or meal taxes. On the basis of reciprocity, OFM/TC extends or limits the ability of a foreign mission or member to receive relief of such taxes.

2 FAM 278 FUEL AND UTILITY TAXES

2 FAM 278.1 Gasoline and Other Fuel

(CT:GEN-324; 12-6-2005)

On the basis of reciprocity, OFM/TC authorizes the purchase of gasoline, diesel fuels, and other petroleum products by eligible foreign missions and their members for relief from all federal, state, territorial, and local taxes imposed on such transactions.

2 FAM 278.2 Utility Tax

(CT:GEN-324; 12-6-2005)

On the basis of reciprocity, OFM/TC authorizes the relief of taxes on utility services used by eligible foreign missions and their members. Utilities eligible for this privilege include, but are not limited to, electricity, telephone, cellular phone and paging, cable and satellite television, and heating fuel and water.

2 FAM 279 RADIO FREQUENCY TAX

(CT:GEN-324; 12-6-2005)

There is no Federal installation or licensing tax levied on radio or television receivers in the United States. Wireless communications transmissions by foreign missions and their members are prohibited except for low-power communications (high frequency radio or satellite) from foreign missions in Washington, D.C., to points outside the U.S. local communications (e.g., motor pool) and international communications at foreign consulates outside Washington, D.C., must be obtained via commercial means.