

Section 7 – Real Property Transactions and Property Tax Exemptions

The Office of Foreign Missions (OFM) reviews and controls the acquisition of real property in the United States by foreign missions and international organizations in accordance with the Foreign Missions Act.

This section provides general information and guidelines to assist foreign governments in complying with federal laws when they acquire diplomatic and consular property in the United States and its territories.

7.1 Chancery Location

All properties meant for use as a chancery or chancery annex are traditionally located in the District of Columbia, the Department will consider other locations in the Washington Metropolitan Area on a case-by-case basis.

7.2 Locating New Property

Foreign governments should identify their needs as to location, space, security, and future expansion. A competent real estate agent/broker familiar with zoning regulations and areas suitable for the location of chancery offices should be contacted to assist in finding an available property.

7.3 Notifying the Office of Foreign Missions

All foreign missions are required to inform OFM by diplomatic note *before* the purchase, lease, or sale of real estate in the United States, as well as alterations or additions to existing premises. Under U.S. law, all such transactions are subject to disapproval by the Department. Consular posts have the option of notifying the appropriate OFM regional office by letter rather than by diplomatic note through their mission in Washington.

Diplomatic notes and all correspondence relating to real estate transactions and property tax exemption should be sent to:

Office of Foreign Missions
Real Property Section, Room 2238
Office of Foreign Missions

U.S. Department of State
2201 C Street, N.W.
Washington, DC 20520
Telephone number (202) 647-4554

Also, please fax copies of all such correspondence to (202) 647-1919.

Consular posts may address correspondence on property related issues to the appropriate OFM regional office.

Although OFM has 60 days following the receipt of such notification in which to respond, a response to most requests will be made within 10 working days.

7.4 Locations and Zoning

In the District of Columbia, chanceries or chancery annexes may be located, replaced, or expanded in both "matter of right" areas and "non-matter of right" areas. "Matter of right" areas are zoned commercial (C), industrial (CM and M), waterfront (W), or mixed-use (CR); "non-matter of right" areas include zoned special-purpose (SP) and certain residential areas (R) in the special diplomatic overlay zone. For chanceries located outside the District of Columbia, a mission must comply with the zoning and land use laws applicable in the local jurisdiction.

As a general matter chanceries may be located in "non-matter of right" areas *only* after a review by the Foreign Missions Board of Zoning Adjustment (BZA), set up under the Foreign Missions Act to review the location of chanceries in certain areas of the District of Columbia. The BZA process includes a public hearing. All missions which appear before the Board should have legal representation. A BZA review may also be required if an expansion or renovation of existing chancery properties is required.

A BZA review is generally not necessary for occupancy of properties located in "matter of right" areas. However, the mission is required to obtain an Occupancy Permit from the government of the District of Columbia (accomplished with the assistance of OFM).

The complexity of the zoning process with regard to the purchase or lease of chanceries or chancery annexes requires missions to work closely with OFM *before* committing substantial time or financial resources to a chancery project.

Properties intended solely for residential use may be located throughout the Washington metropolitan area. Authorization from OFM is required and, if construction or renovation is considered, the necessary local jurisdiction's permits and certificates must be obtained.

7.5 Occupancy Permits

A "Certificate of Occupancy" permit must be obtained from the Government of the District of Columbia before occupying office space for chancery use.

7.6 Procedures for Missions to the UN

Missions to the United Nations (UN) follow similar procedures when requesting approval to acquire official property for their office or residential use. UN missions should submit requests to the OFM New York Regional Office.

7.7 To Acquire Property Outside Washington, DC

Foreign missions are required to obtain prior authorization from OFM before acquiring property for use as consular offices and residences.

Missions should be aware that property acquired for use as consular office space is subject to the zoning laws and regulations of the local jurisdiction where the property is located.

Information regarding local jurisdictional regulations and real estate taxes may be obtained from local authorities or from the OFM regional office which services that area.

7.8 Real Estate Tax Exemption Program

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 annexes, consulates, or as the residence of the chief of mission or the career head of a 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 diplomatic missions in the Washington metropolitan area.

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 international organizations, except, as noted above, for career heads of the consular posts or chiefs of missions to the international organizations.

In the Washington metropolitan area, property tax exemption is obtained through OFM. When a mission submits a request for exemption from real estate taxes, the diplomatic note should include the address of the property, its lot and square number, a description of the property's function, and the date the deed was recorded with the local government. In order to qualify for exemption from real estate taxes, the deed must be titled in the name of the mission with *one* exception: when the chief of mission resides in his personally owned residence. Otherwise, personally owned residences do not enjoy tax exemption.

In New York City, property tax exemption is filed directly with the New York City Department of Finance Exemption Unit. The OFM New York Regional Office can provide more detailed information.

The missions are reminded that exemption from real estate taxes *does not include exemption from charges for services* such as the collection of refuse or any other separately identified charges for specific commodities or services that may appear on the tax bill.

7.9 Transfer and Recordation Tax Exemption for Properties in the Washington Metropolitan Area (except Montgomery County, Maryland – see section 7.10)

On the basis of the VCDR and reciprocity, OFM will request exemption from transfer and recordation taxes associated with the purchase or sale of property in the Washington Metropolitan Area. The procedures for obtaining such exemptions vary in the three jurisdictions (District of Columbia, Virginia, and Maryland).

Transfer taxes are normally the responsibility of the seller and recordation taxes the responsibility of the buyer. The governments of the areas listed above will exempt a mission from payment of the recordation tax where the mission is purchasing property and payment of the transfer tax where the mission is selling its property. The mission should request such an exemption through OFM before the settlement date of the purchase. OFM will prepare a letter supporting exemption which should be submitted at the time of

settlement.

7.10 Montgomery County, Maryland one-time Tax Exemption

Although missions are also entitled to exemption from transfer and recordation taxes in the state of Maryland which they otherwise would be obligated to pay, the procedures are more complicated than in the District of Columbia. When a foreign mission is a purchaser of property located in Montgomery County, Maryland, the mission is entitled to exemption from one hundred percent (100%) of the County Transfer Tax and fifty percent (50%) of the Maryland State Transfer Tax. In contrast, when a foreign mission is selling property it owns in Montgomery County, Maryland, it will obtain no exemption from the County Transfer Tax, and will obtain exemption from fifty percent (50%) of the Maryland Transfer Tax. Missions should prepare their purchase and sale contracts accordingly. If additional information is required, missions may contact the Real Estate Office of OFM.

7.11 Applying for Annually Recurring Property Tax Exemption

After settlement a foreign mission may also request exemption from property taxes. If OFM determines that exemption is appropriate, it will submit a request for exemption directly to the taxing authority in the District of Columbia, Maryland, and Virginia. In the District of Columbia, the mission must complete a "Foreign Government Information Request Form" and include it with the written request for tax exemption submitted to OFM. OFM will complete the reverse of the form before transmitting it (with a cover letter) to the DC Department of Finance and Revenue. The effective date of the real estate tax exemption is determined by the date the deed to the property is recorded with the DC Recorder of Deeds.