



GMS Flash Alert

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United States - 2019 Sec. 911-Related Housing Cost Limitations Released by IRS

The U.S. Internal Revenue Service (IRS) has released Notice 2019-24, which updates the list of foreign locations with high housing costs relative to the United States.¹ This list is used for individuals living in foreign locations and claiming the foreign housing cost exclusion on their U.S. income tax returns under section 911 of the Internal Revenue Code (I.R.C.).²

Notice 2019-24 is effective for taxable years beginning on or after January 1, 2019.

WHY THIS MATTERS

Employers seeking to accurately estimate the tax cost of an assignment from the United States to a foreign location may need to update their calculations to account for changes to the adjusted housing cost limitations.

In locations where the 2019 housing limitation amounts are higher than those provided in 2018, taxpayers may elect to use the higher 2019 amounts on their 2018 income tax returns, resulting in additional U.S. tax savings.

Background

I.R.C. section 911 allows qualifying individuals whose tax home is in a foreign country, and who meet specified requirements as to the residence or presence in a foreign country, to exclude certain amounts of foreign earned income and foreign housing costs from U.S. tax. The foreign earned income exclusion amount is indexed annually and the maximum amount for 2019 is \$105,900. The housing cost exclusion generally is equal to the housing expenses of the taxpayer to the extent they exceed a base amount equal to 16 percent of the foreign earned income exclusion (thus, \$16,944 for 2019), subject to a limitation equal to 30 percent of the foreign earned income exclusion (therefore, \$31,770 for 2019). However, for certain foreign locations with high housing costs (see below) the 30-percent limitation can be adjusted by the U.S. Department of the Treasury (the "Treasury").

Notice 2019-24

The Notice provides a table that identifies locations within foreign countries with high housing costs relative to the housing costs in the United States. The table provides an adjusted limitation to the excludible housing expenses for individuals who qualify to claim the section 911 exclusions for 2019. Thus, a qualified individual incurring housing expenses in one or more of the high-cost locations identified in the table for 2019 may use the adjusted limit provided (in lieu of \$31,770) in determining the excludible housing cost amount. A qualified individual who incurs housing expenses in a locality other than one of those listed in the table is subject to the housing expense limit of \$31,770 for 2019.

Election to Use 2019 Amounts for 2018 Tax Year

Section 4 of Notice 2019-24 provides that in cases where the 2019 housing limitation amounts provided in the Notice are higher than those provided in 2018, taxpayers can elect to use the higher 2019 amounts on their 2018 income tax returns. Additionally, the Notice advises that the IRS and Treasury anticipate that future annual notices will allow a similar election.

KPMG NOTE

Notable Changes

Although many limitation amounts listed in Notice 2019-24 were the same as those allowed for the prior year, many others changed, though in general less significantly than the changes observed in the prior year. In general, the limitations that changed were lower in 2019, particularly across Europe and Australia, presumably due to weakened currencies in those areas. Other than numerous cities in Japan, the only cities that saw increased limitations in 2019 were:

- Toronto, Canada (increase of \$3,500);
- Guatemala City, Guatemala (increase of \$200);
- Singapore (increase of \$2,400);
- Bern, Switzerland (increase of \$600);
- Geneva, Switzerland (increase of \$1,000).

Only one location, Bridgetown, Barbados, was added to the list for 2019. Since, in 2018, the default limitation applied to Bridgetown, its limitation increased by \$6,530, apparently the largest increase for any location in 2019.

A number of cities were deleted from the list for 2019, as well as the general increased limitation for locations in South Korea not separately listed. For areas deleted from the list, the general housing limitation for 2019 should apply:

Melbourne, Australia	Camp Carroll, South Korea
Antwerp, Belgium	Kimhae, South Korea
Hoogbuul, Belgium	Pohang, South Korea

Kitzingen, Germany	Pusan, South Korea
Wertheim, Germany	Waegwan, South Korea
Wuerzburg, Germany	Ismir-Cigli, Turkey
Gioia Tuaro, Italy	Yamanlar, Turkey
Mazatlan, Mexico	Bristol, United Kingdom
Kigali, Rwanda	Liverpool, United Kingdom
Jeddah, Saudi Arabia	

The city with the highest limitation was Hong Kong, with its limitation unchanged at \$114,300, followed by Moscow, Russia, its limitation also unchanged at \$108,000. Limitations for notoriously expensive cities such as London, Paris, and Tokyo, changed by less than \$5,000.

FOOTNOTES:

- 1 [Notice 2019-24](#) (PDF 118 KB) will appear in *Internal Revenue Bulletin* 2019-14, dated April 1, 2019.
- 2 For prior coverage on the list of foreign locations for 2018, see GMS [Flash Alert 2018-073](#) (May 8, 2018).

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