



GMS Flash Alert



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United States - IRS Releases 2022 Sec. 911-Related Housing Costs Limitations

The United States Internal Revenue Service (IRS) released Notice 2022-10 updating 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. federal income tax returns under section 911 of the Internal Revenue Code (I.R.C.). The Notice is effective for taxable years beginning after 2021. If the 2022 housing limitation amounts are higher than those provided in 2021, taxpayers may elect to use the higher 2022 amounts on their 2021 federal income tax returns.²

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. This applies more so for tax year 2022 as most adjusted limitations on housing expenses have been decreased for tax year 2022 as compared to tax year 2021. This is likely unexpected for most assignees and employers as the amounts are usually increased from year to year decreasing related assignment costs.

In locations where the 2022 housing limitation amounts are higher than those provided in 2021, taxpayers may elect to use the higher 2022 amounts on their 2021 federal 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 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 2022 is \$112,000. 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, \$17,920 for 2022), subject to a limitation equal to 30 percent of the foreign earned income exclusion (therefore, \$33,600 for 2022). 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.

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Notice 2022-10

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 2022. Thus, a qualified individual incurring housing expenses in one or more of the high-cost locations identified in the table for 2022 may use the adjusted limit provided (in lieu of \$33,600) 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 \$33,600 for 2022.

Notable Changes

Most notably, the adjusted limitations for most of the locations listed in the table provided in Notice 2022-10 have been decreased for tax year 2022 as compared to tax year 2021. Out of 266 total locations listed, 151 locations have seen a decrease in the adjusted limitation amount, 95 unchanged, and the amounts for 20 locations have been increased. As a result, many taxpayers will find that the election to use the higher 2022 limitation on their 2021 tax returns will not apply as most adjusted limitation amounts were decreased for tax year 2022. Out of the 20 locations that experienced an increase to their limitation amounts from 2021 to 2022, most are located in Canada with Toronto, Canada, seeing the largest increase of \$6,600. Locations that are usually associated with a high of cost living have experienced some of the highest decreases for tax year 2022. Some of the noteworthy increases and decreases are noted below:

Increases:

- Toronto, Canada (increase of \$6,600);
- Beer Sheva, Israel (increase \$2,500);
- Beijing, China (increase of \$2,000);
- Montreal, Canada (increase \$1,300).

Decreases:

- Tokyo, Japan (decrease of \$7,300);
- Riyadh, Saudi Arabia (decrease of \$6,400);
- Zurich, Switzerland (decrease of \$5,619);
- Various cities in France and South Korea (decrease of \$5,300).

Dulmen, Germany, was added to the list for 2022.

Conversely, 33 locations were removed from the list for 2022, reflecting a significant increase from the three locations that were removed from the list in the prior year. The locations that were deleted from the list for 2022 are noted in the table below. For areas deleted from the list, the general housing limitation for 2022 should apply.

Perth, Australia	All cities in The Netherlands other than Amsterdam, Aruba, Brunssum, Eygelshoven, The Hague, Heerlen, Hoensbroek, Hulsberg, Kerkrade, Landgraaf, Maastricht, Papendrecht, Rotterdam, Schaesburg, Schinnen, Schiphol, and Ypenburg.*
Vienna, Austria	
Santiago, Chile	
Montpelier, France	
Garmisch-Partenkirchen, Germany	
Heidelberg, Germany	Munsan, South Korea
Karlsruhe, Germany	Taegu, South Korea
Leimen, Germany	Uijongbu, South Korea
Mannheim, Germany	Monterrey, Mexico
Oberammergau, Germany	Auckland, New Zealand
Rheinau, Germany	Oslo, Norway
Schwetzingen, Germany	All cities in Qatar other than Doha*
Seckenheim, Germany	Jeddah, Saudi Arabia
Budapest, Hungary	Riyadh, Saudi Arabia
Shannon Area, Ireland	Valencia, Spain
Iwakuni, Japan	Paramaribo, Suriname
Misawa, Japan	All cities in Switzerland other than Bern, Geneva, and Zurich*
Bristol, United Kingdom	
Liverpool, United Kingdom	Zurich, Switzerland
* listed as one location in the 2022 table	

Source: KPMG LLP (U.S.)

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, Singapore, and Osaka-Kobe, either decreased (London and Singapore) or stayed the same (Osaka-Kobe).

FOOTNOTES:

- [Notice 2022-10](#) will appear in *Internal Revenue Bulletin* 2022-10, dated March 7, 2022.
- For prior coverage on the list of foreign locations for 2021, see [GMS Flash Alert 2021-072](#) (March 1, 2021).

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