

GMS Flash Alert

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United States – IRS Releases 2024 Sec. 911-Related Housing Costs Limitations

On March 20, 2024, the United States Internal Revenue Service (IRS) released an advance copy of Notice 2024-31, which updates the list of foreign locations with high housing costs relative to the United States.¹ The Notice is effective for taxable years beginning on or after January 1, 2024. However, if the 2024 adjusted housing limitation amounts are higher than those provided in 2023, taxpayers may elect to use the higher 2024 amounts on their 2023 federal income tax returns.²

WHY THIS MATTERS

This list is used for individuals living in foreign locations who claim the foreign housing cost exclusion on their U.S. federal income tax returns under section 911 of the Internal Revenue Code (I.R.C.).

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.

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In locations where the 2024 adjusted housing limitation amounts are higher than those provided in 2023, taxpayers may elect to use the higher 2024 amounts on their 2023 federal income tax returns, resulting in additional U.S. tax savings. Amended returns can be filed in situations where this would be beneficial.

Background

The I.R.C. section 911 exclusion allows qualifying individuals whose tax home is in a foreign country, and who meet specific 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. federal income tax. The foreign earned income exclusion amount is indexed annually and the maximum amount for 2024 is \$126,500. The housing cost

exclusion generally is equal to the foreign housing expenses of the taxpayer to the extent they exceed a base amount equal to 16 percent of the foreign earned income exclusion (thus, \$20,240 for 2024), subject to a limitation equal to 30 percent of the foreign earned income exclusion (therefore, \$37,950 for 2024). 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.

Notice 2024-31

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 2024. Thus, a qualified individual incurring housing expenses in one or more of the high-cost locations identified in the table for 2024 may use the adjusted limit provided (in lieu of \$37,950) 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 \$37,950 for 2024.

Noticeable Changes

For the first time in two years, the number of locations that experienced an increase to their 2024 adjusted limitation amount when compared to their 2023 adjusted limitation amount exceeded the number of locations that experienced a decrease. Of the 135 locations that were listed for both 2024 and 2023, 51 locations experienced an increase in the adjusted limitation amount, 78 remained unchanged, while the amounts for only six locations decreased when compared to the prior year.

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As a result, many taxpayers will find it advantageous to elect to use the higher 2024 limitation amounts on their 2023 federal income tax returns.

Increases/Decreases

Some of the noteworthy increases and decreases are noted below:

Increases

Geneva, Switzerland (increase of \$9,100)	Vancouver, Canada (increase of \$4,200)
Bern, Switzerland (increase of \$6,500)	London, United Kingdom (increase of \$2,400)
Warsaw, Poland (increase of \$6,300)	Milan, Italy (increase of \$2,300)

Source: IRS Notice 2024-31

Decreases

Tokyo, Japan (decrease of \$3,900)	Yokosuka, Japan (decrease of \$2,300)
Beer Sheva, Israel (decrease of \$3,200)	Yokohama, Japan (decrease of \$2,000)
Okinawa Prefecture, Japan (decrease of \$2,400)	Beijing, China (decrease of \$1,600)

Source: IRS Notice 2024-31

Added/Removed

While only two locations were added to the list in the prior year, the following five locations were added to the list for 2024:

Melbourne, Australia	Loudwater, United Kingdom
Sembach, Germany	Menwith Hill, United Kingdom
Harrogate, United Kingdom	

Source: IRS Notice 2024-31

Sembach, Germany, as well as the three United Kingdom locations listed above, returned to the list for 2024 after being removed from the list last year.

Conversely, seven locations were removed from the list for 2024, reflecting a significant decrease from the 90 locations that were removed from the list in the prior year. The locations that were removed from the list for 2024 are noted in the table below. For areas deleted from the list, the general housing limitation for 2024 (\$37,950) should apply.

Barbados, Barbados	Jakarta, Indonesia
Bridgetown, Barbados	Luxembourg, Luxembourg
San Jose, Costa Rica	Merida, Mexico
Lyon, France	

Source: IRS Notice 2024-31

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.

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Taxpayers or their tax providers will find a worksheet on page 5 of the Instructions for Form 2555 to help them compute the limit on housing expenses.

It is important to note, once a taxpayer chooses to exclude foreign housing amounts or foreign earned income, he or she cannot take a credit (or deduction) for foreign income taxes paid or accrued on income that is excluded under either of the exclusions. This rule eliminates the benefit of applying both the foreign earned income/foreign housing cost exclusions and the foreign tax credit to the same income.

For additional information or assistance, taxpayers may refer to the [Instructions for Form 2555](#) and chapter 4 of [Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad](#). If taxpayers have additional questions or require assistance, they should consult with their qualified tax professional or their usual KPMG contact.

FOOTNOTES:

1 Notice 2024-31 will appear in the *Internal Revenue Bulletin* 2024-15 for Monday, April 8, 2024. See: <https://www.irs.gov/pub/irs-drop/n-24-31.pdf>.

2 For prior coverage on the list of foreign locations for 2023, see [GMS Flash Alert 2023-056](#) (March 16, 2023).

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