

## Determination of Housing Cost Amounts Eligible for Exclusion or Deduction for 2016

Notice 2016-21

### SECTION 1. PURPOSE

This notice provides adjustments to the limitation on housing expenses for purposes of section 911 of the Internal Revenue Code for specific locations for 2016. These adjustments are made on the basis of geographic differences in housing costs relative to housing costs in the United States.

### SECTION 2. BACKGROUND

Section 911(a) allows a qualified individual to elect to exclude from gross income the foreign earned income and housing cost amount of such individual. Section 911(c)(1) defines the term "housing cost amount" as an amount equal to the excess of (A) the housing expenses of an individual for the taxable year to the extent such expenses do not exceed the amount determined under section 911(c)(2), over (B) 16 percent of the exclusion amount (computed on a daily basis) in effect under section 911(b)(2)(D) for the calendar year in which such taxable year begins (\$276.76 per day for 2016, or \$101,300 for the full year), multiplied by the number of days of that taxable year within the applicable period described in section 911(d)(1). The applicable period is the period during which the individual meets the tax home requirement of section 911(d)(1) and either the bona fide residence requirement of section 911(d)(1)(A) or the physical presence requirement of section 911(d)(1)(B). Assuming that the entire taxable year of a qualified individual is within the applicable period, the section 911(c)(1)(B) amount for 2016 is \$16,208 ( $\$101,300 \times .16$ ).

Section 911(c)(2)(A) limits the housing expenses taken into account in section 911(c)(1)(A) to an amount equal to (i) 30 percent (adjusted as may be provided under the Secretary's authority under section 911(c)(2)(B)) of the amount in effect under section 911(b)(2)(D) for the calendar year in which the taxable year of the individual begins, multiplied by (ii) the number of days of that taxable year within the applicable period described in section 911(d)(1). Thus, under this general limitation, a qualified individual whose entire taxable year is within the applicable period is limited to maximum housing expenses of \$30,390 ( $\$101,300 \times .30$ ) in 2016.

Section 911(c)(2)(B) authorizes the Secretary to issue regulations or other guidance to adjust the percentage under section 911(c)(2)(A)(i) based on geographic differences in housing costs relative to housing costs in the United States. Pursuant to this authority, the Internal Revenue Service (IRS) and the Treasury Department published Notice 2006-87, 2006-2 C.B. 766, and Notice 2007-25, 2007-1 C.B. 760, for 2006; Notice 2007-77, 2007-2 C.B. 735, for 2007; Notice 2008-107, 2008-2 C.B. 1266, for 2008 and 2009; Notice 2010-27, 2010-15 I.R.B. 531, for 2009 and 2010; Notice 2011-8, 2011-8 I.R.B. 503, for 2010 and 2011; Notice 2012-19, 2012-10 I.R.B. 440 for 2011 and 2012; Notice 2013-31, 2013-21 I.R.B. 1099, for 2012 and 2013; Notice 2014-29, 2014-18 I.R.B. 991 for 2013 and 2014; and Notice 2015-33, 2015-18 I.R.B. 934 for 2014 and 2015 to provide adjustments to the limitation on housing expenses for qualified individuals incurring housing expenses in countries with high housing costs relative to housing costs in the United States.

### SECTION 3. TABLE OF ADJUSTED LIMITATIONS FOR 2016

The following table provides adjusted limitations on housing expenses (in lieu of the otherwise applicable limitation of \$30,390) for 2016.

<b>Country</b>	<b>Location</b>	<b>Limitation on Housing Expenses (full year)</b>	<b>Limitation on Housing Expenses (daily)</b>
Angola	Luanda	84,000	229.51
Argentina	Buenos Aires	56,500	154.37
Australia	Melbourne	30,500	83.33
Australia	Perth	32,600	89.07
Australia	Sydney	61,400	167.76
Austria	Vienna	35,400	96.72
Bahamas, The	Grand Bahama Island	30,900	84.43
Bahamas, The	Nassau	49,700	135.79
Bahrain	Bahrain	44,000	120.22
Barbados	Barbados	37,700	103.01
Belgium	Brussels	40,000	109.29
Belgium	Gosselies	34,900	95.36
Belgium	Mons	34,900	95.36
Belgium	SHAPE/Chievres	34,900	95.36
Bermuda	Bermuda	90,000	245.90
Brazil	Rio de Janeiro	35,100	95.90
Brazil	Sao Paulo	56,600	154.64
Canada	Calgary	36,800	100.55
Canada	Montreal	43,900	119.95

Canada	Ottawa	41,300	112.84
Canada	Quebec	33,300	90.98
Canada	Toronto	41,400	113.11
Canada	Vancouver	40,200	109.84
Cayman Islands	Grand Cayman	48,000	131.15
Chile	Santiago	37,500	102.46
China	Beijing	71,200	194.54
China	Hong Kong	114,300	312.30
China	Shanghai	57,001	155.74
Colombia	Bogota	58,700	160.38
Colombia	All cities other than Bogota	49,400	134.97
Costa Rica	San Jose	32,000	87.43
Democratic Republic of the Congo	Kinshasa	42,000	114.75
Denmark	Copenhagen	43,704	119.41
Dominican Republic	Santo Domingo	45,500	124.32
Ecuador	Guayaquil	30,800	84.15
Ecuador	Quito	38,200	104.37
El Salvador	San Salvador	32,000	87.43
Estonia	Tallinn	46,600	127.32
France	Garches	68,600	187.43
France	Lyon	38,000	103.83
France	Marseille	37,000	101.09
France	Montpellier	30,600	83.61
France	Paris	68,600	187.43

France	Sevres	68,600	187.43
France	Suresnes	68,600	187.43
France	Versailles	68,600	187.43
France	All cities other than Garches, Le Havre, Lyon, Marseille, Paris, Sevres, Suresnes and Versailles	31,900	87.16
Germany	Babenhausen	33,700	92.08
Germany	Baumholder	32,600	89.07
Germany	Berlin	41,100	112.30
Germany	Birkenfeld	32,600	89.07
Germany	Boeblingen	40,800	111.48
Germany	Bonn	42,000	114.75
Germany	Butzbach	30,390	83.03
Germany	Cologne	56,200	153.55
Germany	Darmstadt	33,700	92.08
Germany	Frankfurt am Main	35,100	95.90
Germany	Garmisch-Partenkirchen	31,600	86.34
Germany	Gelnhausen	42,400	115.85
Germany	Giessen	36,000	98.36
Germany	Grafenwoehr	34,000	92.90
Germany	Hanau	42,400	115.85
Germany	Heidelberg	31,400	85.79
Germany	Idar-Oberstein	32,600	89.07
Germany	Ingolstadt	48,100	131.42
Germany	Kaiserslautern, Landkreis	41,200	112.57

Germany	Karlsruhe	32,400	88.52
Germany	Koblenz	33,000	90.16
Germany	Leimen	31,400	85.79
Germany	Ludwigsburg	40,800	111.48
Germany	Mainz	44,800	122.40
Germany	Mannheim	31,400	85.79
Germany	Munich	48,100	131.42
Germany	Nellingen	40,800	111.48
Germany	Neubruecke	32,600	89.07
Germany	Ober Ramstadt	33,700	92.08
Germany	Oberammergau	31,600	86.34
Germany	Pfullendorf	33,000	90.16
Germany	Pirmasens	41,200	112.57
Germany	Rheinau	31,400	85.79
Germany	Schwetzingen	31,400	85.79
Germany	Seckenheim	31,400	85.79
Germany	Sembach	41,200	112.57
Germany	Stuttgart	40,800	111.48
Germany	Vilseck	34,000	92.90
Germany	Wahn	42,000	114.75
Germany	Wiesbaden	44,800	122.40
Germany	Zweibrueken	41,200	112.57

Germany	All cities other than Augsburg, Babenhausen, Bad Aibling, Bad Kreuznach, Bad Nauheim, Baumholder, Berchtesgaden, Berlin, Birkenfeld, Boeblingen, Bonn, Bremen, Bremerhaven, Butzbach, Cologne, Darmstadt, Delmenhorst, Duesseldorf, Erlangen, Flensburg, Frankfurt am Main, Friedberg, Fuerth, Garlstedt, Garmisch-Partenkirchen, Geilenkirchen, Gelnhausen, Germersheim, Giebelstadt, Grafenwoehr, Grefrath, Greven, Gruenstadt, Hamburg, Hanau, Handorf, Hannover, Heidelberg, Heilbronn, Herongen, Idar-Oberstein, Ingolstadt, Kaiserslautern, Landkreis, Kalkar, Karlsruhe, Kerpen, Kitzingen, Koblenz, Leimen, Leipzig, Ludwigsburg, Mainz, Mannheim, Mayen, Moenchen-Gladbach, Muenster, Munich, Nellingen, Neubruecke, Noervenich, Nuernberg, Ober Ramstadt, Oberammergau, Osterholz-Scharmbeck, Pirmasens, Rheinau, Rheinberg, Schwabach, Schwetzingen, Seckenheim, Sembach, Stuttgart, Twisteden, Vilseck, Wahn, Wertheim, Wiesbaden, Worms, Wuerzburg, Zirndorf and Zweibruecken	33,000	90.16
Ghana	Accra	36,000	98.36
Greece	Athens	33,600	91.80
Greece	Elefsis	33,600	91.80
Greece	Ellinikon	33,600	91.80
Greece	Mt. Parnis	33,600	91.80
Greece	Mt. Pateras	33,600	91.80
Greece	Nea Makri	33,600	91.80

Greece	Piraeus	33,600	91.80
Greece	Tanagra	33,600	91.80
Guatemala	Guatemala City	41,800	114.21
Guinea	Conakry	51,300	140.16
Guyana	Georgetown	35,000	95.63
Holy See, The	Holy See, The	45,700	124.86
Hungary	Budapest	32,500	88.80
Hungary	Papá	44,500	121.58
India	Mumbai	67,920	185.57
India	New Delhi	56,124	153.34
Indonesia	Jakarta	37,776	103.21
Ireland	Dublin	39,700	108.47
Ireland	Shannon Area	31,400	85.79
Israel	Tel Aviv	50,800	138.80
Italy	Genoa	41,800	114.21
Italy	Gioia Tauro	31,200	85.25
Italy	La Spezia	40,400	110.38
Italy	Milan	68,300	186.61
Italy	Naples	43,400	118.58
Italy	Parma	34,700	94.81
Italy	Pordenone-Aviano	39,600	108.20
Italy	Rome	52,100	142.35
Italy	Turin	34,200	93.44
Italy	Vicenza	35,900	98.09

Jamaica	Kingston	41,200	112.57
Japan	Atsugi	36,300	99.18
Japan	Camp Zama	36,300	99.18
Japan	Chiba-Ken	36,300	99.18
Japan	Fussa	36,300	99.18
Japan	Gifu	74,300	203.01
Japan	Haneda	36,300	99.18
Japan	Kanagawa-Ken	36,300	99.18
Japan	Komaki	74,300	203.01
Japan	Machidi-Shi	36,300	99.18
Japan	Nagoya	74,300	203.01
Japan	Okinawa Prefecture	50,400	137.70
Japan	Osaka-Kobe	90,664	247.72
Japan	Sagamihara	36,300	99.18
Japan	Saitama-Ken	36,300	99.18
Japan	Sasebo	30,400	83.06
Japan	Tachikawa	36,300	99.18
Japan	Tokyo	81,300	222.13
Japan	Tokyo-to	36,300	99.18
Japan	Yokohama	44,600	121.86
Japan	Yokosuka	41,700	113.93
Japan	Yokota	34,600	94.54
Kazakhstan	Almaty	48,000	131.15
Korea	Camp Colbern	54,200	148.09

Korea	Camp Market	54,200	148.09
Korea	Camp Mercer	54,200	148.09
Korea	K-16	54,200	148.09
Korea	Kimpo Airfield	54,200	148.09
Korea	Munsan	31,300	85.52
Korea	Osan AB	33,800	92.35
Korea	Pyongtaek	38,500	105.19
Korea	Seoul	54,200	148.09
Korea	Suwon	54,200	148.09
Korea	Taegu	31,400	85.79
Korea	Tongduchon	35,200	96.17
Kuwait	Kuwait City	64,400	175.96
Kuwait	All cities other than Kuwait City	57,700	157.65
Luxembourg	Luxembourg	37,400	102.19
Macedonia	Skopje	35,400	96.72
Malaysia	Kuala Lumpur	46,200	126.23
Malaysia	All cities other than Kuala Lumpur	33,700	92.08
Malta	Malta	55,100	150.55
Mexico	Mazatlan	31,000	84.70
Mexico	Merida	37,900	103.55
Mexico	Mexico City	47,900	130.87
Mexico	Monterrey	33,200	90.71

Mexico	All cities other than Ciudad Juarez, Cuernavaca, Guadalajara, Hermosillo, Matamoros, Mazatlan, Merida, Metapa, Mexico City, Monterrey, Nogales, Nuevo Laredo, Reynosa, Tapachula, Tijuana, Tuxtla Gutierrez, and Veracruz	39,400	107.65
Mozambique	Maputo	39,500	107.92
Namibia	Windhoek	32,100	87.70
Netherlands	Amsterdam	52,900	144.54
Netherlands	Aruba	36,000	98.36
Netherlands	Brunssum	32,700	89.34
Netherlands	Eygelshoven	32,700	89.34
Netherlands	Hague, The	62,200	169.95
Netherlands	Heerlen	32,700	89.34
Netherlands	Hoensbroek	32,700	89.34
Netherlands	Hulsberg	32,700	89.34
Netherlands	Kerkrade	32,700	89.34
Netherlands	Landgraaf	32,700	89.34
Netherlands	Maastricht	32,700	89.34
Netherlands	Papendrecht	32,800	89.62
Netherlands	Rotterdam	32,800	89.62
Netherlands	Schaesburg	32,700	89.34
Netherlands	Schinnen	32,700	89.34
Netherlands	Schiphol	52,900	144.54
Netherlands	Ypenburg	54,500	148.91

Netherlands	All cities other than Amsterdam, Aruba, Brunssum, Coevorden, Eygelshoven, The Hague, Heerlen, Hoensbroek, Hulsberg, Kerkrade, Landgraaf, Maastricht, Margraten, Papendrecht, Rotterdam, Schaesburg, Schinnen, Schiphol, and Ypenburg.	32,400	88.52
Netherlands Antilles	Curacao	45,800	125.14
New Zealand	Auckland	35,700	97.54
New Zealand	Christchurch	32,100	87.70
New Zealand	Wellington	33,800	92.35
Nicaragua	Managua	31,800	86.89
Nigeria	Abuja	36,000	98.36
Norway	Oslo	34,400	93.99
Oman	Muscat	41,300	112.84
Panama	Panama City	35,500	96.99
Paraguay	Asuncion	31,100	84.97
Peru	Lima	39,100	106.83
Philippines	Cavite	35,700	97.54
Philippines	Manila	35,700	97.54
Portugal	Alverca	41,800	114.21
Portugal	Lisbon	41,800	114.21
Qatar	Doha	42,744	116.79
Qatar	All cities other than Doha	32,400	88.52
Russia	Moscow	108,000	295.08
Russia	Saint Petersburg	60,000	163.93
Russia	Sakhalin Island	77,500	211.75

Russia	Vladivostok	77,500	211.75
Russia	Yekaterinburg	47,400	129.51
Rwanda	Kigali	31,500	86.07
Saudi Arabia	Jeddah	30,667	83.79
Saudi Arabia	Riyadh	40,000	109.29
Singapore	Singapore	77,100	210.66
Slovenia	Ljubljana	48,000	131.15
South Africa	Pretoria	39,300	107.38
Spain	Barcelona	40,600	110.93
Spain	Madrid	55,700	152.19
Spain	Rota	34,000	92.90
Spain	Valencia	32,000	87.43
Suriname	Paramaribo	33,000	90.16
Switzerland	Bern	64,900	177.32
Switzerland	Geneva	93,300	254.92
Switzerland	Zurich	39,219	107.16
Switzerland	All cities other than Bern, Geneva and Zurich	32,900	89.89
Taiwan	Taipei	46,188	126.20
Tanzania	Dar Es Salaam	44,000	120.22
Thailand	Bangkok	59,000	161.20
Trinidad and Tobago	Port of Spain	54,500	148.91
Turkey	Izmir-Cigli	31,600	86.34
Turkey	Yamanlar	31,600	86.34
Ukraine	Kiev	72,000	196.72

United Arab Emirates	Abu Dhabi	49,687	135.76
United Arab Emirates	Dubai	57,174	156.21
United Kingdom	Basingstoke	41,099	112.29
United Kingdom	Bath	41,000	112.02
United Kingdom	Bracknell	62,100	169.67
United Kingdom	Bristol	37,400	102.19
United Kingdom	Brookwood	40,900	111.75
United Kingdom	Cambridge	40,700	111.20
United Kingdom	Caversham	73,800	201.64
United Kingdom	Cheltenham	49,600	135.52
United Kingdom	Croughton	41,700	113.93
United Kingdom	Fairford	40,500	110.66
United Kingdom	Farnborough	54,700	149.45
United Kingdom	Felixstowe	39,300	107.38
United Kingdom	Gibraltar	44,616	121.90
United Kingdom	Harrogate	43,900	119.95
United Kingdom	High Wycombe	62,100	169.67
United Kingdom	Huntingdon	40,900	111.75
United Kingdom	Kemble	40,500	110.66
United Kingdom	Lakenheath	52,400	143.17
United Kingdom	Liverpool	36,800	100.55
United Kingdom	London	82,000	224.04
United Kingdom	Loudwater	64,600	176.50
United Kingdom	Menwith Hill	43,900	119.95

United Kingdom	Mildenhall	52,400	143.17
United Kingdom	Oxfordshire	41,200	112.57
United Kingdom	Plymouth	41,200	112.57
United Kingdom	Portsmouth	41,200	112.57
United Kingdom	Reading	62,100	169.67
United Kingdom	Rochester	42,300	115.57
United Kingdom	Samlesbury	40,900	111.75
United Kingdom	Southampton	44,200	120.77
United Kingdom	Surrey	48,402	132.25
United Kingdom	Waterbeach	42,100	115.03
United Kingdom	Wiltshire	39,100	106.83
United Kingdom	All cities other than Basingstoke, Bath, Belfast, Birmingham, Bracknell, Bristol, Brookwood, Brough, Cambridge, Caversham, Chelmsford, Cheltenham, Chicksands, Croughton, Dunstable, Edinburgh, Edzell, Fairford, Farnborough, Felixstowe, Ft. Halstead, Gibraltar, Glenrothes, Greenham Common, Harrogate, High Wycombe, Huntingdon, Hythe, Kemble, Lakenheath, Liverpool, London, Loudwater, Menwith Hill, Mildenhall, Nottingham, Oxfordshire, Plymouth, Portsmouth, Reading, Rochester, Samlesbury, Southampton, Surrey, Waterbeach, Welford, West Byfleet, and Wiltshire.	40,900	111.75
Venezuela	Caracas	57,000	155.74
Vietnam	Hanoi	46,800	127.87
Vietnam	Ho Chi Minh City	42,000	114.75

## SECTION 4. ELECTION TO APPLY 2016 ADJUSTED LIMITATIONS TO 2015

### TAXABLE YEAR

For some locations, the limitation on housing expenses provided in section 3 of this notice may be higher than the limitation on housing expenses provided in the "Table of Adjusted Limitations for 2015" in Notice 2015-33. A qualified individual incurring housing expenses in such a location during 2015 may apply the adjusted limitation on housing expenses provided in section 3 of this notice for 2015 in lieu of the amounts provided in the "Table of Adjusted Limitations for 2015" in Notice 2015-33 (and as set forth in the Instructions to Form 2555 (2015)).

The Treasury Department and the IRS anticipate that future annual notices providing adjustments to housing expense limitations will make a similar election available to qualified individuals that incur housing expenses in the immediately preceding year. For example, when adjusted housing expense limitations for 2017 are issued, it is expected that taxpayers will be permitted to apply those adjusted limitations to the 2016 taxable year.

### EFFECT ON OTHER DOCUMENTS

This notice supersedes Notice 2006-87, 2006-2 C.B. 766; Notice 2007-25, 2007-1 C.B. 760; Notice 2007-77, 2007-2 C.B. 735; Notice 2008-107, 2008-2 C.B. 1266; Notice 2010-27, 2010-15 I.R.B. 531; Notice 2011-8, 2011-8 I.R.B. 503; Notice 2012-19, 2012-10 I.R.B. 440; Notice 2013-31, 2013-21 I.R.B. 1099; Notice 2014-29, 2014-18 I.R.B. 991; and Notice 2015-33, 2015-18 I.R.B. 934.

## EFFECTIVE DATE

This notice is effective for taxable years beginning on or after January 1, 2016. However, as provided in section 4, a taxpayer may elect to apply the 2016 adjusted housing limitations contained in section 3 of this notice to his or her taxable year beginning in 2015.

## DRAFTING INFORMATION

The principal author of this notice is Joseph W. Vetting of the Office of Associate Chief Counsel (International). For further information regarding this notice contact Mr. Vetting at (202) 317-4960 (not a toll-free call).