

## Determination of Housing Cost Amounts Eligible for Exclusion or Deduction for 2023

Notice 2023-26

### 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 2023. These adjustments are based on geographic differences in housing costs relative to housing costs in the United States.

### SECTION 2. BACKGROUND

Section 911 allows a qualified individual to elect to exclude from gross income the foreign earned income and to exclude or deduct the housing cost amount of such individual.

The term “housing cost amount” is generally the total of the housing expenses for the taxable year minus a base housing amount. See § 911(c)(1). For this purpose, the base housing amount for the taxable year is limited to an amount that is tied to the maximum foreign earned income exclusion amount of the qualified individual, which is \$120,000 for 2023. See § 911(c)(1)(B). Specifically, the base housing amount is 16 percent of the maximum foreign earned income exclusion amount (computed on a daily basis), multiplied by the number of days in the applicable period that fall within the

taxable year. Assuming that the entire taxable year of a qualified individual is within the applicable period, the base housing amount for 2023 is \$19,200 ( $\$120,000 \times .16$ ).

Similarly, the housing expense amount is also limited, based on a percentage of the maximum foreign earned income exclusion amount. Specifically, the limit on such housing expenses generally equals 30 percent of the maximum foreign earned income exclusion amount (computed on a daily basis), multiplied by the number of days in the applicable period for which the taxpayer is a qualified individual. See § 911(c)(2)(A) and (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 \$36,000 ( $\$120,000 \times .30$ ) for 2023. However, 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) (which determines the limit on housing expenses) based on geographic differences in housing costs relative to housing costs in the United States. Pursuant to this authority, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) have published annual notices concerning the limitation on the section 911 housing cost amounts since the 2006 taxable year.

For more background on the foreign housing exclusion, see <https://www.irs.gov/individuals/international-taxpayers/foreign-housing-exclusion-or-deduction>.

### SECTION 3. TABLE OF ADJUSTED HOUSING LIMITATIONS FOR 2023

The following table provides adjusted limitations on housing expenses (in lieu of the otherwise applicable limitation of \$36,000) for 2023. All amounts are in U.S. dollars.

<b>Country</b>	<b>Location</b>	<b>Limitation on Housing Expenses (full year)</b>	<b>Limitation on Housing Expenses (daily/365 days)</b>
Angola	Luanda	84,000	230.14
Argentina	Buenos Aires	56,500	154.79
Australia	Sydney	66,500	182.19
Bahamas, The	Nassau	49,700	136.16
Bahrain	Bahrain	48,300	132.33
Barbados	Barbados and Bridgetown	37,700	103.29
Belgium	Brussels	38,700	106.03
Bermuda	Bermuda	90,000	246.58
Brazil	Sao Paulo	56,600	155.07
Canada	Calgary	38,600	105.75
Canada	Montreal	52,600	144.11
Canada	Ottawa	46,100	126.30
Canada	Toronto	59,900	164.11
Canada	Vancouver	56,800	155.62
Canada	Victoria	41,300	113.15
Cayman Islands	Grand Cayman	48,000	131.51
China	Beijing	69,600	190.68
China	Hong Kong	114,300	313.15
China	Shanghai	57,001	156.17
Colombia	Bogota	58,700	160.82
Colombia	All cities other than Bogota	49,400	135.34

Costa Rica	San Jose	37,800	103.56
Democratic Republic of the Congo	Kinshasa	42,000	115.07
Denmark	Copenhagen	43,704	119.74
Dominican Republic	Santo Domingo	45,500	124.66
Ecuador	Quito	38,200	104.66
Estonia	Tallinn	46,600	127.67
France	Garches, Paris, Sevres, Suresnes, and Versailles	66,400	181.92
France	Lyon	36,700	100.55
Germany	Berlin	39,800	109.04
Germany	Boeblingen, Ludwigsburg, Nellingen, and Stuttgart	39,600	108.49
Germany	Bonn	42,000	115.07
Germany	Cologne	56,200	153.97
Germany	Gelnhausen and Hanau	41,000	112.33
Germany	Ingolstadt	46,500	127.40
Germany	Kaiserslautern, Landkreis, Pirmasens, Sembach, and Zweibrueken	39,900	109.32
Germany	Mainz and Wiesbaden	44,500	121.92
Germany	Munich	46,500	127.40
Germany	Wahn	42,000	115.07
Guatemala	Guatemala City	42,000	115.07
Guinea	Conakry	51,300	140.55
Holy See, The	Holy See, The	44,200	121.10
India	Mumbai	67,920	186.08

India	New Delhi	56,124	153.76
Indonesia	Jakarta	37,776	103.50
Ireland	Dublin	38,400	105.21
Israel	Beer Sheva	58,000	158.90
Israel	Jerusalem	49,000	134.25
Israel	Tel Aviv	50,800	139.18
Israel	West Bank	49,000	134.25
Italy	Genoa	41,800	114.52
Italy	La Spezia	40,400	110.68
Italy	Milan	66,000	180.82
Italy	Naples	45,300	124.11
Italy	Rome	44,200	121.10
Italy	Vicenza	36,900	101.10
Jamaica	Kingston	41,200	112.88
Japan	Gifu, Komaki, and Nagoya	74,300	203.56
Japan	Okinawa Prefecture	47,200	129.32
Japan	Osaka-Kobe	90,664	248.39
Japan	Tokyo	77,000	210.96
Japan	Yokohama	41,000	112.33
Japan	Yokosuka	44,300	121.37
Kazakhstan	Almaty	48,000	131.51
Korea	Camp Colbern	54,200	148.49
Korea	Camp Market, K-16, Kimpo Airfield, Seoul, and Suwon	48,600	133.15

Korea	Camp Mercer	54,200	148.49
Kuwait	Kuwait City	64,400	176.44
Kuwait	All cities other than Kuwait City	57,700	158.08
Luxembourg	Luxembourg	36,200	99.18
Malaysia	Kuala Lumpur	46,200	126.58
Malta	Malta	55,100	150.96
Mexico	Merida	37,900	103.84
Mexico	Mexico City	47,900	131.23
Mexico	All cities other than Ciudad Juarez, Cuernavaca, Guadalajara, Hermosillo, Matamoros, Mazatlan, Merida, Metapa, Mexico City, Monterrey, Nogales, Nuevo Laredo, Tijuana, and Veracruz	39,400	107.95
Mozambique	Maputo	39,500	108.22
Netherlands	Amsterdam and Schiphol	52,900	144.93
Netherlands	Aruba	39,300	107.67
Netherlands	Hague, The	52,700	144.38
Netherlands Antilles	Curacao	45,800	125.48
Oman	Muscat	41,300	113.15
Panama	Panama City	39,500	108.22
Peru	Lima	39,100	107.12
Poland	Warsaw	50,200	137.53
Portugal	Alverca and Lisbon	40,400	110.68
Qatar	Doha	45,888	125.72

Romania	Bucharest	41,200	112.88
Russia	Moscow	108,000	295.89
Russia	Saint Petersburg	60,000	164.38
Saudi Arabia	Riyadh	40,000	109.59
Singapore	Singapore	82,900	227.12
Slovenia	Ljubljana	46,400	127.12
South Africa	Pretoria	39,300	107.67
Spain	Barcelona	40,600	111.23
Spain	Madrid	53,900	147.67
Switzerland	Bern	69,000	189.04
Switzerland	Geneva	98,300	269.32
Switzerland	Zurich	39,219	107.45
Taiwan	Taipei	46,188	126.54
Tanzania	Dar Es Salaam	44,000	120.55
Thailand	Bangkok	59,000	161.64
Trinidad and Tobago	Port of Spain	54,500	149.32
Ukraine	Kiev	72,000	197.26
United Arab Emirates	Abu Dhabi	49,687	136.13
United Arab Emirates	Dubai	57,174	156.64
United Kingdom	Basingstoke	41,099	112.60
United Kingdom	Bath	41,000	112.33
United Kingdom	Bracknell, High Wycombe, and Reading	62,100	170.14
United Kingdom	Caversham	73,800	202.19

United Kingdom	Cheltenham	45,600	124.93
United Kingdom	Farnborough	54,700	149.86
United Kingdom	Gibraltar	44,616	122.24
United Kingdom	Lakenheath and Mildenhall	42,600	116.71
United Kingdom	London	64,600	176.99
United Kingdom	Loudwater	52,400	143.56
United Kingdom	Southampton	44,200	121.10
United Kingdom	Surrey	48,402	132.61
Venezuela	Caracas	57,000	156.16
Vietnam	Hanoi	46,800	128.22
Vietnam	Ho Chi Minh City	42,000	115.07

#### SECTION 4. OPTION TO APPLY 2023 ADJUSTED HOUSING LIMITATIONS TO 2022 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 2022” in Notice 2022-10, 2022-10 I.R.B. 815. A qualified individual incurring housing expenses in such a location during 2022 may apply the adjusted limitation on housing expenses provided in Section 3 of this notice for 2023 in lieu of the amounts provided in the “Table of Adjusted Limitations for 2022” in Notice 2022-10 (and as set forth in the Instructions to Form 2555, *Foreign Earned Income*, for 2022).

The Treasury Department and the IRS anticipate that future annual notices

providing adjustments to housing expense limitations will make a similar option available to qualified individuals that incur housing expenses in the immediately preceding year. For example, when adjusted housing expense limitations for 2024 are issued, it is expected that taxpayers will be permitted to apply those adjusted limitations to the 2023 taxable year.

#### SECTION 5. EFFECT ON OTHER DOCUMENTS

This notice supersedes Notice 2022-10, 2022-10 I.R.B. 815.

#### SECTION 6. EFFECTIVE DATE

This notice is effective for taxable years beginning on or after January 1, 2023. However, as provided in Section 4, taxpayers may apply the 2023 adjusted housing limitations contained in Section 3 of this notice to his or her taxable year beginning in 2022.

#### SECTION 7. DRAFTING INFORMATION

The principal author of this notice is Kate Y. Hwa of the Office of Associate Chief Counsel (International). For further information regarding this notice contact Kate Y. Hwa at (202) 317-5001 (not a toll-free call).