

Part III - Administrative, Procedural, and Miscellaneous

Determination of Housing Cost Amounts Eligible for Exclusion or Deduction for 2026

Notice 2026-25

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 2026. 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 \$132,900 for 2026. 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 2026 is \$21,264 ($\$132,900 \times .16$).

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 \$39,870 ($\$132,900 \times .30$) for 2026. 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 2026

The following table provides adjusted limitations on housing expenses (in lieu of the otherwise applicable limitation of \$39,870) for 2026. All amounts are in U.S. dollars.

COUNTRY	LOCATION(S)	Limitation on Housing Expenses (full year)	Limitation on Housing Expenses (daily)
Angola	Luanda	84,000	230.14
Argentina	Buenos Aires	56,500	154.79
Aruba	All cities	46,200	126.58
Australia	Melbourne	40,600	111.23
Australia	Sydney	65,600	179.73
Australia	Wollongong	46,000	123.06
Bahamas, The	Nassau	49,700	136.16
Bahrain	Bahrain	48,300	132.33
Belgium	Brussels	42,900	117.53
Bermuda	Bermuda	90,000	246.58
Brazil	Sao Paulo	56,600	155.07
Canada	Calgary	45,100	123.56
Canada	Montreal	52,000	142.47
Canada	Ottawa	50,800	139.18
Canada	Toronto	62,700	171.78
Canada	Vancouver	73,400	201.10
Canada	Victoria	45,800	125.48
Cayman Islands	Grand Cayman	64,193	175.87
China	Beijing	69,000	189.04
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
Curacao	Curacao	45,800	125.48
Democratic Republic of the Congo	Kinshasa	42,000	115.07
Denmark	Copenhagen	43,704	119.74
Dominican Republic	Santo Domingo	45,500	124.66
Estonia	Tallinn	46,600	127.67
France	Garches, Paris, Sevres, Suresnes, and Versailles	73,600	201.64
France	Lyon	40,700	111.51
Germany	Berlin	44,100	120.82

Germany	Boeblingen, Ludwigsburg, Nellingen, and Stuttgart	46,100	126.30
Germany	Bonn and Wahn	42,000	115.07
Germany	Cologne	56,200	153.97
Germany	Garmisch-Partenkirchen and Oberammergau	40,700	111.51
Germany	Gelnhausen and Hanau	45,500	124.66
Germany	Ingolstadt and Munich	51,500	141.10
Germany	Kaiserslautern, Landkreis, Pirmasens, Sembach, and Zweibrucken	48,100	131.78
Germany	Mainz and Wiesbaden	50,400	138.08
Guatemala	Guatemala City	42,000	115.07
Guinea	Conakry	51,300	140.55
Holy See, The	Holy See, The	49,000	134.25
India	Mumbai	67,920	186.08
India	New Delhi	56,124	153.76
Ireland	Dublin	42,600	116.71
Israel	Beer Sheva	61,800	169.32
Israel	Jerusalem and West Bank	49,000	134.25
Israel	Tel Aviv	50,800	139.18
Italy	Genoa	41,800	114.52
Italy	La Spezia	40,400	110.68
Italy	Milan	73,200	200.55
Italy	Naples	50,300	137.81
Italy	Rome	49,000	134.25
Italy	Vicenza	40,900	112.05
Jamaica	Kingston	41,200	112.88
Japan	Gifu, Komaki, and Nagoya	74,300	203.56
Japan	Okinawa Prefecture	41,300	113.15
Japan	Osaka-Kobe	90,664	248.39
Japan	Tokyo City	67,300	184.38
Kazakhstan	Almaty	48,000	131.51
Kuwait	Kuwait City	64,400	176.44
Kuwait	All cities other than Kuwait City	57,700	158.08
Luxembourg	Luxembourg	57,900	158.63
Malaysia	Kuala Lumpur	46,200	126.58
Malta	Malta	55,100	150.96
Mexico	Mexico City	47,900	131.23
Netherlands	Amsterdam and Schiphol	52,900	144.93
Netherlands	The Hague	58,400	160.00
Oman	Muscat	41,300	113.15
Poland	Krakow	54,900	150.41
Poland	Warsaw	62,300	170.68
Portugal	Alverca and Lisbon	44,800	122.74

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	86,700	237.53
Slovenia	Ljubljana	51,400	140.82
South Korea	Camp Colbern and Camp Mercer	54,200	148.49
South Korea	K-16, Kimpo Airfield, Seoul, and Suwon	44,300	121.37
Spain	Barcelona	40,600	111.23
Spain	Madrid	59,700	163.56
Switzerland	Bern	82,200	224.66
Switzerland	Geneva	116,900	320.27
Switzerland	Zurich	67,218	184.16
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	54,300	148.77
United Kingdom	Croughton	45,000	123.29
United Kingdom	Farnborough	54,700	149.86
United Kingdom	Gibraltar	44,616	122.24
United Kingdom	Harrogate and Menwith Hill	46,600	127.67
United Kingdom	London	68,600	187.95
United Kingdom	Loudwater	57,400	157.26
United Kingdom	Surrey	48,402	132.61

United Kingdom	All cities* other than Aldermaston, Belfast, Birmingham, Bristol, Brough, Cambridge, Chelmsford, Chicksands, Dunstable, Edinburgh, Edzell, Fairford, Felixstowe, Ft. Halstead, Glenrothes, Gloucestershire, Greenham Common, Hythe, Kemble, Liverpool, Nottingham, Oxfordshire, Plymouth, Portsmouth, Rochester, Waterbeach, Welford, West Byfleet, and Wiltshire, which are subject to the generally applicable limitation *Excluding those cities previously listed	44,200	121.10
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 2026 ADJUSTED HOUSING LIMITATIONS TO 2025 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 2025” in Notice 2025-16, 2025-13 I.R.B. 1378. A qualified individual incurring housing expenses in such a location during 2025 may apply the adjusted limitation on housing expenses provided in Section 3 of this notice for 2026 in lieu of the amounts provided in the “Table of Adjusted Limitations for 2025” in Notice 2025-16 (and as set forth in the Instructions to Form 2555, *Foreign Earned Income*, for 2025).

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 2027 are issued, it is expected that taxpayers will be permitted to apply those adjusted limitations to the 2026 taxable year.

SECTION 5. EFFECT ON OTHER DOCUMENTS

This notice supersedes Notice 2025-16, 2025-13 I.R.B. 1378.

SECTION 6. EFFECTIVE DATE

This notice is effective for taxable years beginning on or after January 1, 2026. However, as provided in section 4 of this notice, taxpayers may apply the 2026 adjusted housing expense limitations contained in section 3 of this notice to the taxable year beginning in 2025.

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 Ms. Hwa at (202) 317-5001 (not a toll-free call).