



## GES NewsFlash

### United States – Treasury Releases Updated Housing Cost Amounts for 2011

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February 10, 2011

#### Summary

The Internal Revenue Services (IRS) has released Notice 2011-8, which provides adjustments to the limitations on housing expenses that are eligible for exclusion or deduction in specific locations in 2011.

As provided by the tax code, a qualified individual is allowed to exclude from gross income certain foreign earned income and housing costs of that individual. Housing costs eligible for exclusion or deduction purposes are limited to the allowed “housing cost amount” over a base housing amount. The housing cost amount is limited to 30% of the foreign earned income limitation. For 2011, the foreign earned income limitation is \$92,900, so the housing cost amount is limited to \$27,870 ( $\$92,900 \times 30\%$ ). The base housing amount is 16% of the foreign earned income limitation or  $16\% \times \$92,900$ , which equals \$14,864. Therefore, the housing exclusion for 2011 is limited to \$13,006 ( $\$27,870 - \$14,864$ ).

Notice 2011-8 provides guidance for specific locations in 2011 where a taxpayer can claim a housing cost amount above this 30% limitation. Hong Kong, Moscow, and Tokyo continue to be the locations with the highest allowed housing expense limitation, with Tokyo the highest at \$118,500.

#### Election to apply 2011 adjusted limitations to 2010

In Notice 2011-8, the limitation on housing expenses in some locations is higher than the prior limitations published in 2010 (see Notice 2010-27). Similar to the option that was provided last year, an option has again been provided that allows a qualified individual incurring housing expenses during 2010 in one of these locations to apply the adjusted limitation provided in this notice on the 2010 tax return. Treasury and the IRS anticipate that this election to apply housing expense limitations in the immediately preceding year will be made available in future annual

notices adjusting the housing limitations as well.

Notice 2011-8 is attached for your reference.

### People to contact

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the tax professionals as follows:

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