

Americans Abroad = U.S. Exports = Jobs at Home

Foreign Housing Allowance – IRC Section 911

I.R.C. Section 911 allows qualifying individuals whose tax home is in a foreign country to exclude certain amounts of foreign earned income and foreign housing costs from U.S. tax. The housing cost exclusion generally is equal to the housing expenses of the taxpayer to the extent they exceed a base amount equal to 16 percent of the foreign earned income exclusion, subject to a limitation equal to 30 percent of the foreign earned income exclusion.

In 2006, the IRS and Treasury Department, along with the State Department, began recognizing that certain locations carry a much higher cost of living, and therefore needed to be factored into expatriate and per diem calculations. A qualified individual with housing expenses in one of the high-cost locations may use the adjusted limit provided in determining the excludible housing cost amount.

The IRS has not adjusted the housing allowance for Abu Dhabi or Dubai since 2008. The allowances have remained at \$49,687 for Abu Dhabi and \$57,174 for Dubai, respectively, for nine years. Since 2008, the U.S. State Department's "Living Quarters Allowance" has increased by 11.8% and the Department is currently considering increasing the amount by 50% because of current economic conditions in Abu Dhabi and Dubai.

In 2016, the IRS increased the housing allowance limitation on Doha (Qatar) by \$6,480 to \$42,744, up from \$36,264 for 2015.

According to the U.S. Embassy in Abu Dhabi, the average cost of housing in Abu Dhabi has increased by 60 percent, and has increased in Dubai by 20 percent since October 2010.

- According to Mercer's 2015 Cost of Living Survey, Dubai is the 23rd most expensive city in the world to live. This is a significant increase from its 2014 ranking of 67th most expensive and its 2013 ranking of the 90th most expensive city.
 - Paris is ranked 46th on the same list while its Section 911 housing allowance is \$68,600, which is over \$11,000 more than the allowance level in Dubai, and over \$18,000 more than the allowance in Abu Dhabi.
- The same survey ranked Abu Dhabi as the 33rd most expensive city in the world to live in 2015. In 2014, Mercer's survey ranked Abu Dhabi as the 68th most expensive city, and 79th in 2013.
 - Osaka, Japan is ranked the 32nd on the same list and the Section 911 housing allowance for Osaka-Kobe is \$90,664, which is over \$33,000 more than the allowance level in Dubai, and over \$40,000 more than the allowance in Abu Dhabi.
- In late 2013, Abu Dhabi and Dubai repealed the annual five percent limit on how much landlords could increase rent on a current tenant, which has resulted in renters facing huge rental increases essentially overnight. The U.S. Embassy has cited immediate increases of 40-60% in rent as a result of this change.

Given the economic growth and booming real estate markets in Abu Dhabi and Dubai, we believe that the housing allowance rates for 2016 are significantly undervalued and the IRS should update IRC Section

911 to reflect current housing costs in Abu Dhabi and Dubai. We believe a 50 percent increase to the housing allowance rate would allow U.S. residents living in these cities to continue to do so without having to opt for reduced or substandard accommodations.

Request: Reach out to the IRS/Treasury and request they review the current rates and consider adjusting to reflect significant increases in housing costs in Abu Dhabi and Dubai since 2008.

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