

Foreign Earned Income Exclusion and Housing Allowance

For United States citizens working abroad, beginning in 2006, there were three changes made to the foreign earned income exclusion and housing allowance. They are as follows:

- The income exclusion is indexed for inflation starting in 2006.
- The base housing amount used in calculating the foreign housing cost exclusion is 16 percent of the amount of the foreign earned income exclusion limitation. Reasonable foreign housing expenses in excess of the base housing amount remain excluded from gross income, but the amount of the exclusion is limited to 30 percent of the taxpayer's foreign earned income exclusion.
- Income excluded as either foreign earned income or as a housing allowance is included for purposes of determining the marginal tax rates applicable to non-excluded income.

The foreign earned income exclusion for 2018 is \$104,100.