

# INTERNAL REVENUE BULLETIN



## HIGHLIGHTS OF THIS ISSUE

**Bulletin No. 2017-13**  
**March 27, 2017**

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

### INCOME TAX

#### **Notice 2017-21, page 1026.**

Attached is Notice 2017-21, which provides for adjustments to the limitation on housing expenses for purposes of section 911 of the Internal Revenue Code. These adjustments are made on the basis of geographic differences in housing costs relative to housing costs in the United States. Further, if the limitation on housing expenses is higher for taxable year 2017 than the adjusted limitations on housing expenses provided in Notice 2016-21, qualified taxpayers may apply the adjusted limitations for taxable year 2017 to their 2016 taxable year.

#### **Rev. Proc. 2017-26, page 1036**

Attached is Revenue Procedure 2017-27, which provides a waiver for the time requirements for individuals electing to exclude their foreign earned income who must leave a foreign country because of war, civil unrest, or similar adverse conditions in that country. Rev. Proc. 2017-26 adds South Sudan for tax year 2016 for which the minimum time requirements are waived. Generally, U.S. citizens or resident aliens living and working abroad are taxed on their worldwide income. However, if their tax home is in a foreign country and they meet either the bona fide residence test or the physical presence test, they can choose to exclude from their income a limited amount of their foreign earned income (\$101,300 for 2016). Both the bona fide residence test and the physical presence test contain minimum time requirements.

### EMPLOYEE PLANS

#### **Notice 2017-22, page 1033.**

This notice sets forth updates on the corporate bond monthly yield curve, the corresponding spot segment rates for March 2017 used under § 417(e)(3)(D), the 24-month average segment rates applicable for March 2017, and the 30-year Treasury rates. These rates reflect the application of § 430(h)(2)(C)(iv), which was added by the Moving Ahead for Progress in the 21st Century Act, Public Law 112-141 (MAP-21) and amended by section 2003 of the Highway and Transportation Funding Act of 2014 (HATFA).

# The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

## Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned

against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

### **Part I.—1986 Code.**

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

### **Part II.—Treaties and Tax Legislation.**

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

### **Part III.—Administrative, Procedural, and Miscellaneous.**

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

### **Part IV.—Items of General Interest.**

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

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## Part III. Administrative, Procedural, and Miscellaneous

### Determination of Housing Cost Amounts Eligible for Exclusion or Deduction for 2017

#### Notice 2017-21

##### 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 2017. These adjustments are made on the basis of geographic differences in housing costs relative to housing costs in the United States.

##### SECTION 2. BACKGROUND

Section 911(a) allows a qualified individual to elect to exclude from gross income the foreign earned income and 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 section 911(c)(1). For this

purpose, the housing expenses taken into account are limited to an amount that is tied to the maximum foreign earned income exclusion. Specifically, the limit on such housing expenses equals 30 percent (adjusted as may be provided under the Secretary’s authority under section 911(c)(2)(B)) of the maximum exclusion amount (computed on a daily basis), multiplied by the number of days in the applicable period that fall within the taxable year. See section 911(c)(2)(A). Thus, under this general limitation, a qualified individual whose entire taxable year is within the applicable period is limited to maximum housing expenses of \$30,630 ( $\$102,100 \times .30$ ) for 2017.

Similarly, the computation of the base housing amount is also tied to the maximum foreign earned income exclusion. Specifically, the base housing amount is 16% of the maximum exclusion amount (computed on a daily basis), multiplied by the number of days in the applicable period that fall within the taxable year. See sections 911(c)(1)(B) and 911(d)(1). Assuming that the entire taxable year of a qualified

individual is within the applicable period, the base housing amount for 2017 is \$16,336 ( $\$102,100 \times .16$ ). 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 Internal Revenue Service (IRS) and the Treasury Department 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 LIMITATIONS FOR 2017

The following table provides adjusted limitations on housing expenses (in lieu of the otherwise applicable limitation of \$30,630) for 2017.

Country	Location	Limitation on Housing Expenses (full year)	Limitation on Housing Expenses (daily)
Angola	Luanda	84,000	230.14
Argentina	Buenos Aires	56,500	154.79
Australia	Melbourne	31,600	86.58
Australia	Perth	33,800	92.60
Australia	Sydney	63,700	174.52
Austria	Vienna	35,400	96.99
Bahamas, The	Grand Bahama Island	30,900	84.66
Bahamas, The	Nassau	49,700	136.16
Bahrain	Bahrain	48,300	132.33
Barbados	Barbados	37,700	103.29
Belgium	Brussels	38,700	106.03
Belgium	Gosselies	33,800	92.60
Belgium	Mons	33,800	92.60
Belgium	SHAPE/Chievres	33,800	92.60
Bermuda	Bermuda	90,000	246.58
Brazil	Rio de Janeiro	35,100	96.16
Brazil	Sao Paulo	56,600	155.07
Canada	Calgary	38,500	105.48
Canada	Montreal	51,300	140.55
Canada	Ottawa	43,600	119.45
Canada	Quebec	34,900	95.62

Country	Location	Limitation on Housing Expenses (full year)	Limitation on Housing Expenses (daily)
Canada	Toronto	45,600	124.93
Canada	Vancouver	43,700	119.73
Cayman Islands	Grand Cayman	48,000	131.51
Chile	Santiago	40,600	111.23
China	Beijing	71,200	195.07
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	32,000	87.67
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	Guayaquil	30,800	84.38
Ecuador	Quito	38,200	104.66
El Salvador	San Salvador	32,000	87.67
Estonia	Tallinn	46,600	127.67
France	Garches	66,400	181.92
France	Lyon	36,700	100.55
France	Marseille	35,800	98.08
France	Paris	66,400	181.92
France	Sevres	66,400	181.92
France	Suresnes	66,400	181.92
France	Versailles	66,400	181.92
France	All cities other than Garches, Le Havre, Lyon, Marseille, Montpellier, Paris, Sevres, Suresnes, and Versailles	31,900	87.40
Germany	Babenhausen	32,600	89.32
Germany	Baumholder	32,300	88.49
Germany	Berlin	39,800	109.04
Germany	Birkenfeld	32,300	88.49
Germany	Boeblingen	39,500	108.22
Germany	Bonn	42,000	115.07
Germany	Cologne	56,200	153.97
Germany	Darmstadt	32,600	89.32
Germany	Frankfurt am Main	34,000	93.15
Germany	Gelnhausen	41,000	112.33
Germany	Giessen	36,000	98.63
Germany	Grafenwoehr	32,900	90.14
Germany	Hanau	41,000	112.33
Germany	Idar-Oberstein	32,300	88.49
Germany	Ingolstadt	46,500	127.40
Germany	Kaiserslautern, Landkreis	39,800	109.04
Germany	Karlsruhe	31,400	86.03
Germany	Koblenz	32,000	87.67
Germany	Ludwigsburg	39,500	108.22

Country	Location	Limitation on Housing Expenses (full year)	Limitation on Housing Expenses (daily)
Germany	Mainz	43,400	118.90
Germany	Munich	46,500	127.40
Germany	Nellingen	39,500	108.22
Germany	Neubruecke	32,300	88.49
Germany	Ober Ramstadt	32,600	89.32
Germany	Pfullendorf	32,000	87.67
Germany	Pirmasens	39,800	109.04
Germany	Sembach	39,800	109.04
Germany	Stuttgart	39,500	108.22
Germany	Vilseck	32,900	90.14
Germany	Wahn	42,000	115.07
Germany	Wiesbaden	43,400	118.90
Germany	Zweibrueken	39,800	109.04
Germany	All cities other than Augsburg, Babenhausen, Bad Aibling, Bad Kreuznach, Bad Nauheim, Baumholder, Berchtesgaden, Berlin, Birkenfeld, Boeblingen, Bonn, Bremen, Bremerhaven, Butzbach, Cologne, Darmstadt, Delmenhorst, Duesseldorf, Erlangen, Flensburg, Frankfurt am Main, Friedberg, Fuerth, Garlstedt, Garmisch-Partenkirchen, Geilenkirchen, Gelnhausen, Germersheim, Giebelstadt, Grafenwoehr, Grefrath, Greven, Gruenstadt, Hamburg, Hanau, Handorf, Hannover, Heidelberg, Heilbronn, Herongen, Idar-Oberstein, Ingolstadt, Kaiserslautern, Landkreis, Kalkar, Karlsruhe, Kerpen, Kitzingen, Koblenz, Leimen, Leipzig, Ludwigsburg, Mainz, Mannheim, Mayen, Moenchen-Gladbach, Muenster, Munich, Nellingen, Neubruecke, Noervenich, Nuernberg, Ober Ramstadt, Oberammergau, Osterholz-Scharmbeck, Pirmasens, Rheinau, Rheinberg, Schwabach, Schwetzingen, Seckenheim, Sembach, Stuttgart, Twisteden, Vilseck, Wahn, Wertheim, Wiesbaden, Worms, Wuerzburg, Zirndorf, and Zweibrueken	32,000	87.67
Ghana	Accra	36,000	98.63
Greece	Athens	32,500	89.04
Greece	Elefsis	32,500	89.04
Greece	Ellinikon	32,500	89.04
Greece	Mt. Parnis	32,500	89.04
Greece	Mt. Pateras	32,500	89.04
Greece	Nea Makri	32,500	89.04
Greece	Piraeus	32,500	89.04
Greece	Tanagra	32,500	89.04
Guatemala	Guatemala City	41,800	114.52
Guinea	Conakry	51,300	140.55
Guyana	Georgetown	35,000	95.89

<b>Country</b>	<b>Location</b>	<b>Limitation on Housing Expenses (full year)</b>	<b>Limitation on Housing Expenses (daily)</b>
Holy See, The	Holy See, The	44,200	121.10
Hungary	Budapest	32,500	89.04
Hungary	Papá	44,500	121.92
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	Tel Aviv	50,800	139.18
Italy	Genoa	41,800	114.52
Italy	Gioia Tauro	31,200	85.48
Italy	La Spezia	40,400	110.68
Italy	Milan	66,000	180.82
Italy	Naples	44,300	121.37
Italy	Parma	33,500	91.78
Italy	Pordenone-Aviano	34,300	93.97
Italy	Rome	44,200	121.10
Italy	Turin	33,100	90.68
Italy	Vicenza	36,000	98.63
Jamaica	Kingston	41,200	112.88
Japan	Atsugi	38,200	104.66
Japan	Camp Zama	38,200	104.66
Japan	Chiba-Ken	38,200	104.66
Japan	Fussa	38,200	104.66
Japan	Gifu	74,300	203.56
Japan	Haneda	38,200	104.66
Japan	Kanagawa-Ken	38,200	104.66
Japan	Komaki	74,300	203.56
Japan	Machidi-Shi	38,200	104.66
Japan	Nagoya	74,300	203.56
Japan	Okinawa Prefecture	53,000	145.21
Japan	Osaka-Kobe	90,664	248.39
Japan	Sagamihara	38,200	104.66
Japan	Saitama-Ken	38,200	104.66
Japan	Sasebo	32,000	87.67
Japan	Tachikawa	38,200	104.66
Japan	Tokyo	85,700	234.79
Japan	Tokyo-to	38,200	104.66
Japan	Yokohama	47,000	128.77
Japan	Yokosuka	44,900	123.01
Japan	Yokota	36,500	100.00
Kazakhstan	Almaty	48,000	131.51
Korea	Camp Colbern	54,200	148.49
Korea	Camp Market	54,900	150.41
Korea	Camp Mercer	54,200	148.49
Korea	K-16	54,900	150.41
Korea	Kimpo Airfield	54,900	150.41

Country	Location	Limitation on Housing Expenses (full year)	Limitation on Housing Expenses (daily)
Korea	Munsan	31,500	86.30
Korea	Osan AB	34,300	93.97
Korea	Pyongtaek	39,200	107.40
Korea	Seoul	54,900	150.41
Korea	Suwon	54,900	150.41
Korea	Taegu	33,400	91.51
Korea	Tongduchon	35,200	96.44
Kuwait	Kuwait City	64,400	176.44
Kuwait	All cities other than Kuwait City	57,700	158.08
Luxembourg	Luxembourg	36,200	99.18
Macedonia	Skopje	35,400	96.99
Malaysia	Kuala Lumpur	46,200	126.58
Malaysia	All cities other than Kuala Lumpur	33,700	92.33
Malta	Malta	55,100	150.96
Mexico	Mazatlan	31,000	84.93
Mexico	Merida	37,900	103.84
Mexico	Mexico City	47,900	131.23
Mexico	Monterrey	33,200	90.96
Mexico	All cities other than Ciudad Juarez, Cuernavaca, Guadalajara, Hermosillo, Matamoros, Mazatlan, Merida, Metapa, Mexico City, Monterrey, Nogales, Nuevo Laredo, Reynosa, Tapachula, Tijuana, Tuxtla Gutierrez, and Veracruz	39,400	107.95
Mozambique	Maputo	39,500	108.22
Namibia	Windhoek	32,100	87.95
Netherlands	Amsterdam	52,900	144.93
Netherlands	Aruba	36,000	98.63
Netherlands	Brunssum	32,400	88.77
Netherlands	Eygelshoven	32,400	88.77
Netherlands	Hague, The	52,700	144.38
Netherlands	Heerlen	32,400	88.77
Netherlands	Hoensbroek	32,400	88.77
Netherlands	Hulsberg	32,400	88.77
Netherlands	Kerkrade	32,400	88.77
Netherlands	Landgraaf	32,400	88.77
Netherlands	Maastricht	32,400	88.77
Netherlands	Papendrecht	31,700	86.85
Netherlands	Rotterdam	31,700	86.85
Netherlands	Schaesburg	32,400	88.77
Netherlands	Schinnen	32,400	88.77
Netherlands	Schiphol	52,900	144.93
Netherlands	Ypenburg	52,700	144.38
Netherlands	All cities other than Amsterdam, Aruba, Brunssum, Coevorden, Eygelshoven, The Hague, Heerlen, Hoensbroek, Hulsberg, Kerkrade, Landgraaf, Maastricht, Margraten, Papendrecht, Rotterdam, Schaesburg, Schinnen, Schiphol, and Ypenburg	31,300	85.75
Netherlands Antilles	Curacao	45,800	125.48

Country	Location	Limitation on Housing Expenses (full year)	Limitation on Housing Expenses (daily)
New Zealand	Auckland	35,700	97.81
New Zealand	Christchurch	32,100	87.95
New Zealand	Wellington	33,800	92.60
Nicaragua	Managua	31,800	87.12
Nigeria	Abuja	36,000	98.63
Norway	Oslo	35,200	96.44
Oman	Muscat	41,300	113.15
Panama	Panama City	35,500	97.26
Paraguay	Asuncion	31,100	85.21
Peru	Lima	39,100	107.12
Philippines	Cavite	34,000	93.15
Philippines	Manila	37,380	102.41
Portugal	Alverca	40,400	110.68
Portugal	Lisbon	40,400	110.68
Qatar	Al Udeid (in All Cities)	32,400	88.77
Qatar	Doha	42,744	117.11
Qatar	All cities other than Doha	32,400	88.77
Russia	Moscow	108,000	295.89
Russia	Saint Petersburg	60,000	164.38
Russia	Sakhalin Island	77,500	212.33
Russia	Vladivostok	77,500	212.33
Russia	Yekaterinburg	47,400	129.86
Rwanda	Kigali	31,500	86.30
Saudi Arabia	Jeddah	30,667	84.02
Saudi Arabia	Riyadh	40,000	109.59
Singapore	Singapore	75,900	207.95
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
Spain	Rota	32,900	90.14
Spain	Valencia	31,000	84.93
Suriname	Paramaribo	33,000	90.41
Switzerland	Bern	63,000	172.60
Switzerland	Geneva	90,600	248.22
Switzerland	Zurich	39,219	107.45
Switzerland	All cities other than Bern, Geneva, and Zurich	32,900	90.14
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
Turkey	Izmir-Cigli	31,600	86.58
Turkey	Yamanlar	31,600	86.58
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



<b>Country</b>	<b>Location</b>	<b>Limitation on Housing Expenses (full year)</b>	<b>Limitation on Housing Expenses (daily)</b>
United Kingdom	Bath	41,000	112.33
United Kingdom	Bracknell	62,100	170.14
United Kingdom	Bristol	31,300	85.75
United Kingdom	Brookwood	34,300	93.97
United Kingdom	Cambridge	40,700	111.51
United Kingdom	Caversham	73,800	202.19
United Kingdom	Cheltenham	49,600	135.89
United Kingdom	Croughton	35,000	95.89
United Kingdom	Fairford	34,000	93.15
United Kingdom	Farnborough	54,700	149.86
United Kingdom	Felixstowe	32,900	90.14
United Kingdom	Gibraltar	44,616	122.24
United Kingdom	Harrogate	36,800	100.82
United Kingdom	High Wycombe	62,100	170.14
United Kingdom	Huntingdon	34,300	93.97
United Kingdom	Kemble	34,000	93.15
United Kingdom	Lakenheath	43,900	120.27
United Kingdom	Liverpool	30,900	84.66
United Kingdom	London	68,700	188.22
United Kingdom	Loudwater	54,200	148.49
United Kingdom	Menwith Hill	36,800	100.82
United Kingdom	Mildenhall	43,900	120.27
United Kingdom	Oxfordshire	34,500	94.52
United Kingdom	Plymouth	34,500	94.52
United Kingdom	Portsmouth	34,500	94.52
United Kingdom	Reading	62,100	170.14
United Kingdom	Rochester	35,400	96.99
United Kingdom	Samlesbury	34,300	93.97
United Kingdom	Southampton	44,200	121.10
United Kingdom	Surrey	48,402	132.61
United Kingdom	Waterbeach	35,300	96.71
United Kingdom	Wiltshire	32,800	89.86
United Kingdom	All cities other than Basingstoke, Bath, Belfast, Birmingham, Bracknell, Bristol, Brookwood, Brough, Cambridge, Caversham, Chelmsford, Cheltenham, Chicksands, Croughton, Dunstable, Edinburgh, Edzell, Fairford, Farnborough, Felixstowe, Ft. Halstead, Gibraltar, Glenrothes, Greenham Common, Harrogate, High Wycombe, Huntingdon, Hythe, Kemble, Lakenheath, Liverpool, London, Loudwater, Menwith Hill, Mildenhall, Nottingham, Oxfordshire, Plymouth, Portsmouth, Reading, Rochester, Samlesbury, Southampton, Surrey, Waterbeach, Welford, West Byfleet, and Wiltshire	34,300	93.97
Venezuela	Caracas	57,000	156.16
Vietnam	Hanoi	46,800	128.22
Vietnam	Ho Chi Minh City	42,000	115.07

## SECTION 4. ELECTION TO APPLY 2017 ADJUSTED LIMITATIONS TO 2016 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 2016” in Notice 2016–21. A qualified individual incurring housing expenses in such a location during 2016 may apply the adjusted limitation on housing expenses provided in Section 3 of this notice for 2016 in lieu of the amounts provided in the “Table of Adjusted Limitations for 2016” in Notice 2016–21 (and as set forth in the Instructions to Form 2555, *Foreign Earned Income*, for 2016).

The Treasury Department and the IRS anticipate that future annual notices providing adjustments to housing expense limitations will make a similar election available to qualified individuals that incur housing expenses in the immediately preceding year. For example, when adjusted housing expense limitations for 2018 are issued, it is expected that taxpayers will be permitted to apply those adjusted limitations to the 2017 taxable year.

## SECTION 5. Filing Prior Year or Amended Tax Returns

Notice 2011–8, 2011–1 C.B. 503; Notice 2012–19, 2012–1 C.B. 440; Notice 2013–31, 2013–1 C.B. 1099; Notice 2014–29, 2014–1 C.B. 991; Notice 2015–33, 2015–18 I.R.B. 934; and Notice 2016–21, 2016–1 C.B. 465, are relisted to assist those individuals who are filing prior year or amended tax returns.

## EFFECT ON OTHER DOCUMENTS

This notice supersedes Notice 2006–87, 2006–2 C.B. 766; Notice 2007–25, 2007–1 C.B. 760; Notice 2007–77, 2007–2 C.B. 735; Notice 2008–107, 2008–2 C.B. 1266; Notice 2010–27, 2010–1 C.B. 531; Notice 2011–8, 2011–1 C.B. 503; Notice 2012–19, 2012–1 C.B. 440; Notice 2013–31, 2013–1 C.B. 1099; Notice 2014–29,

2014–1 C.B. 991; Notice 2015–33, 2015–18 I.R.B. 934; and Notice 2016–21, 2016–1 C.B. 465.

## EFFECTIVE DATE

This notice is effective for taxable years beginning on or after January 1, 2017. However, as provided in Section 4, a taxpayer may elect to apply the 2017 adjusted housing limitations contained in Section 3 of this notice to his or her taxable year beginning in 2016.

## 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 on (202) 317-6934 (not a toll-free number).

## Update for Weighted Average Interest Rates, Yield Curves, and Segment Rates Notice 2017–22

This notice provides guidance on the corporate bond monthly yield curve, the corresponding spot segment rates used under § 417(e)(3), and the 24-month average segment rates under § 430(h)(2) of the Internal Revenue Code. In addition, this notice provides guidance as to the interest rate on 30-year Treasury securities under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning before 2008 and the 30-year Treasury weighted average rate under § 431(c)(6)(E)(ii)(I).

## YIELD CURVE AND SEGMENT RATES

Generally, except for certain plans under sections 104 and 105 of the Pension Protection Act of 2006 and CSEC plans under § 414(y), § 430 of the Code specifies the minimum funding requirements that apply to single-employer plans pursuant to § 412. Section 430(h)(2) specifies the interest rates that must be used to

determine a plan’s target normal cost and funding target. Under this provision, present value is generally determined using three 24-month average interest rates (“segment rates”), each of which applies to cash flows during specified periods. To the extent provided under § 430(h)(2)(C)(iv), these segment rates are adjusted by the applicable percentage of the 25-year average segment rates for the period ending September 30 of the year preceding the calendar year in which the plan year begins.<sup>1</sup> However, an election may be made under § 430(h)(2)(D)(ii) to use the monthly yield curve in place of the segment rates.

Notice 2007–81, 2007–44 I.R.B. 899, provides guidelines for determining the monthly corporate bond yield curve, and the 24-month average corporate bond segment rates used to compute the target normal cost and the funding target. Consistent with the methodology specified in Notice 2007–81, the monthly corporate bond yield curve derived from February 2017 data is in Table I at the end of this notice. The spot first, second, and third segment rates for the month of February 2017 are, respectively, 1.96, 3.91, and 4.69.

The 24-month average segment rates determined under § 430(h)(2)(C)(i) through (iii) must be adjusted pursuant to § 430(h)(2)(C)(iv) to be within the applicable minimum and maximum percentages of the corresponding 25-year average segment rates. For plan years beginning before 2021, the applicable minimum percentage is 90% and the applicable maximum percentage is 110%. The 25-year average segment rates for plan years beginning in 2015, 2016, and 2017 were published in Notice 2014–50, 2014–40 I.R.B. 590, Notice 2015–61, 2015–39 I.R.B. 408, and Notice 2016–54, 2016–40 I.R.B. 429, respectively.

## 24-MONTH AVERAGE CORPORATE BOND SEGMENT RATES

The three 24-month average corporate bond segment rates applicable for March 2017 without adjustment for the 25-year average segment rate limits are as follows:

<sup>1</sup>Pursuant to § 433(h)(3)(A), the 3<sup>rd</sup> segment rate determined under § 430(h)(2)(C) is used to determine the current liability of a CSEC plan (which is used to calculate the minimum amount of the full funding limitation under § 433(c)(7)(C)).

Applicable Month	First Segment	Second Segment	Third Segment
March 2017	1.62	3.80	4.75

Based on § 430(h)(2)(C)(iv), the 24-month averages applicable for March 2017 adjusted to be within the applicable minimum and maximum percentages of the corresponding 25-year average segment rates, are as follows:

For Plan Years Beginning In	Applicable Month	Adjusted 24-Month Average Segment Rates			
		First Segment	Second Segment	Third Segment	
2016	March	2017	4.43	5.91	6.65
2017	March	2017	4.16	5.72	6.48

### 30-YEAR TREASURY SECURITIES INTEREST RATES

Generally for plan years beginning after 2007, § 431 specifies the minimum funding requirements that apply to multiemployer plans pursuant to § 412. Section 431(c)(6)(B) specifies a minimum amount for the full-funding limitation described in § 431(c)(6)(A), based on the plan's current liability. Section 431(c)(6)(E)(ii)(I) provides that the interest rate used to calculate current

liability for this purpose must be no more than 5 percent above and no more than 10 percent below the weighted average of the rates of interest on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year. Notice 88-73, 1988-2 C.B. 383, provides guidelines for determining the weighted average interest rate. The rate of interest on 30-year Treasury securities for February 2017 is 3.03 percent. The Service determined this rate as the average of the

daily determinations of yield on the 30-year Treasury bond maturing in November 2046 determined each day through February 8, 2017 and the yield on the 30-year Treasury bond maturing in February 2047 determined each day for the balance of the month. For plan years beginning in the month shown below, the weighted average of the rates of interest on 30-year Treasury securities and the permissible range of rates used to calculate current liability are as follows:

For Plan Years Beginning in Month	Year	30-Year Treasury Weighted Average	90%	Permissible Range to	105%
March	2017	2.90	2.61		3.05

### MINIMUM PRESENT VALUE SEGMENT RATES

In general, the applicable interest rates under § 417(e)(3)(D) are segment rates

computed without regard to a 24-month average. Notice 2007-81 provides guidelines for determining the minimum present value

segment rates. Pursuant to that notice, the minimum present value segment rates determined for February 2017 are as follows:

First Segment	Second Segment	Third Segment
1.96	3.91	4.69

### DRAFTING INFORMATION

The principal author of this notice is Tom Morgan of the Office of the Associ-

ate Chief Counsel (Tax Exempt and Government Entities). However, other personnel from the IRS participated in the development of this guidance. For further

information regarding this notice, contact Mr. Morgan at 202-317-6700 or Tony Montanaro at 202-317-8698 (not toll-free numbers).

**Table I**  
**Monthly Yield Curve for February 2017**  
Derived from February 2017 Data

Maturity	Yield	Maturity	Yield	Maturity	Yield	Maturity	Yield	Maturity	Yield
0.5	1.13	20.5	4.47	40.5	4.72	60.5	4.81	80.5	4.85
1.0	1.37	21.0	4.49	41.0	4.72	61.0	4.81	81.0	4.85
1.5	1.60	21.5	4.50	41.5	4.72	61.5	4.81	81.5	4.85
2.0	1.79	22.0	4.51	42.0	4.73	62.0	4.81	82.0	4.85

**Table I**  
**Monthly Yield Curve for February 2017**  
 Derived from February 2017 Data

<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>
2.5	1.96	22.5	4.52	42.5	4.73	62.5	4.81	82.5	4.85
3.0	2.10	23.0	4.52	43.0	4.73	63.0	4.81	83.0	4.85
3.5	2.23	23.5	4.53	43.5	4.74	63.5	4.81	83.5	4.85
4.0	2.36	24.0	4.54	44.0	4.74	64.0	4.81	84.0	4.85
4.5	2.48	24.5	4.55	44.5	4.74	64.5	4.82	84.5	4.86
5.0	2.61	25.0	4.56	45.0	4.74	65.0	4.82	85.0	4.86
5.5	2.73	25.5	4.56	45.5	4.75	65.5	4.82	85.5	4.86
6.0	2.86	26.0	4.57	46.0	4.75	66.0	4.82	86.0	4.86
6.5	2.98	26.5	4.58	46.5	4.75	66.5	4.82	86.5	4.86
7.0	3.11	27.0	4.59	47.0	4.75	67.0	4.82	87.0	4.86
7.5	3.22	27.5	4.59	47.5	4.76	67.5	4.82	87.5	4.86
8.0	3.34	28.0	4.60	48.0	4.76	68.0	4.82	88.0	4.86
8.5	3.44	28.5	4.61	48.5	4.76	68.5	4.83	88.5	4.86
9.0	3.54	29.0	4.61	49.0	4.76	69.0	4.83	89.0	4.86
9.5	3.64	29.5	4.62	49.5	4.77	69.5	4.83	89.5	4.86
10.0	3.73	30.0	4.63	50.0	4.77	70.0	4.83	90.0	4.86
10.5	3.81	30.5	4.63	50.5	4.77	70.5	4.83	90.5	4.86
11.0	3.88	31.0	4.64	51.0	4.77	71.0	4.83	91.0	4.86
11.5	3.95	31.5	4.64	51.5	4.77	71.5	4.83	91.5	4.87
12.0	4.01	32.0	4.65	52.0	4.78	72.0	4.83	92.0	4.87
12.5	4.07	32.5	4.65	52.5	4.78	72.5	4.83	92.5	4.87
13.0	4.12	33.0	4.66	53.0	4.78	73.0	4.84	93.0	4.87
13.5	4.16	33.5	4.66	53.5	4.78	73.5	4.84	93.5	4.87
14.0	4.20	34.0	4.67	54.0	4.78	74.0	4.84	94.0	4.87
14.5	4.24	34.5	4.67	54.5	4.79	74.5	4.84	94.5	4.87
15.0	4.27	35.0	4.68	55.0	4.79	75.0	4.84	95.0	4.87
15.5	4.30	35.5	4.68	55.5	4.79	75.5	4.84	95.5	4.87
16.0	4.32	36.0	4.68	56.0	4.79	76.0	4.84	96.0	4.87
16.5	4.35	36.5	4.69	56.5	4.79	76.5	4.84	96.5	4.87
17.0	4.37	37.0	4.69	57.0	4.79	77.0	4.84	97.0	4.87
17.5	4.39	37.5	4.70	57.5	4.80	77.5	4.84	97.5	4.87
18.0	4.41	38.0	4.70	58.0	4.80	78.0	4.84	98.0	4.87
18.5	4.42	38.5	4.70	58.5	4.80	78.5	4.85	98.5	4.87
19.0	4.44	39.0	4.71	59.0	4.80	79.0	4.85	99.0	4.87
19.5	4.45	39.5	4.71	59.5	4.80	79.5	4.85	99.5	4.87
20.0	4.46	40.0	4.71	60.0	4.80	80.0	4.85	100.0	4.87

**Rev. Proc. 2017-26**

**SECTION 1. PURPOSE**

.01 This revenue procedure provides information to any individual who failed to meet the eligibility requirements of section 911(d)(1) of the Internal Revenue

Code because adverse conditions in a foreign country precluded the individual from meeting those requirements for taxable year 2016.

.02 This revenue procedure lists the countries for which the eligibility requirements of section 911(d)(1) are waived for taxable year 2016.

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.

(Also: Part I, §§ 911; 1.911-1.)

**SECTION 2. BACKGROUND**

.01 Sections 911(a) and (c)(4) of the Code allow a “qualified individual,” as defined in section 911(d), to exempt from taxation the individual’s foreign earned income and the housing cost amount.

.02 Section 911(d)(1) of the Code defines the term “qualified individual” as an individual whose tax home is in a foreign country and who is (A) a citizen of the United States and establishes to the satisfaction of the Secretary of the Treasury that the individual has been a *bona fide* resident of a foreign country or countries for an uninterrupted period that includes an entire taxable year, or (B) a citizen or

resident of the United States who, during any period of 12 consecutive months, is present in a foreign country or countries during at least 330 full days.

.03 Section 911(d)(4) of the Code provides an exception to the eligibility requirements of section 911(d)(1). An individual will be treated as a qualified individual with respect to a period in which the individual was a *bona fide* resident of, or was present in, a foreign country if the individual left the country during a period for which the Secretary of the Treasury, after consultation with the Secretary of State, determines that individuals were required to leave because of war, civil unrest, or similar adverse conditions

that precluded the normal conduct of business. An individual must establish that but for those conditions the individual could reasonably have been expected to meet the eligibility requirements.

**SECTION 3. APPLICATION**

.01 For 2016, the Secretary of the Treasury, in consultation with the Secretary of State, has determined that war, civil unrest, or similar adverse conditions precluded the normal conduct of business in the following country beginning on the specified date:

<i>Country</i>	<i>Date of Departure On or After</i>
South Sudan	July 10, 2016

Accordingly, for purposes of section 911 of the Code, an individual who left South Sudan on or after July 10, 2016, will be treated as a qualified individual with respect to the period during which that individual was present in, or was a *bona fide* resident of, South Sudan if the individual establishes a reasonable expectation of meeting the requirements of section 911(d) but for those conditions.

.02 To qualify for relief under section 911(d)(4) of the Code, an individual must have established residency, or have been physically present, in the foreign country

on or before the date that the Secretary of the Treasury determines that individuals were required to leave the foreign country. Accordingly, individuals who were first physically present or established residency in South Sudan after July 10, 2016, are not eligible to qualify for the exception provided in section 911(d)(4) of the Code for taxable year 2016.

**SECTION 4. INQUIRIES**

A taxpayer who needs assistance on how to claim this exclusion, or on how to file an amended return, should contact a

local IRS Office or consult the section under the heading **How to Get Tax Help** at <https://www.irs.gov/Individuals/International-Taxpayers/U.S.-Citizens-and-Resident-Aliens-Abroad>.

**SECTION 5. DRAFTING INFORMATION**

The principal author of this revenue procedure is Kate Y. Hwa of the Office of Associate Chief Counsel (International). For further information regarding this revenue procedure contact Kate Y. Hwa on (202) 317-6934 (not a toll free number).

# Definition of Terms

*Revenue rulings and revenue procedures (hereinafter referred to as “rulings”) that have an effect on previous rulings use the following defined terms to describe the effect:*

*Amplified* describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

*Clarified* is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

*Distinguished* describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

*Modified* is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A

and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

*Obsoleted* describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

*Revoked* describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

*Superseded* describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the sub-

stance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

*Supplemented* is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

*Suspended* is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

# Abbreviations

*The following abbreviations in current use and formerly used will appear in material published in the Bulletin.*

A—Individual.  
Acq.—Acquiescence.  
B—Individual.  
BE—Beneficiary.  
BK—Bank.  
B.T.A.—Board of Tax Appeals.  
C—Individual.  
C.B.—Cumulative Bulletin.  
CFR—Code of Federal Regulations.  
CI—City.  
COOP—Cooperative.  
Ct.D.—Court Decision.  
CY—County.  
D—Decedent.  
DC—Dummy Corporation.  
DE—Donee.  
Del. Order—Delegation Order.  
DISC—Domestic International Sales Corporation.  
DR—Donor.  
E—Estate.  
EE—Employee.  
E.O.—Executive Order.  
ER—Employer.

ERISA—Employee Retirement Income Security Act.  
EX—Executor.  
F—Fiduciary.  
FC—Foreign Country.  
FICA—Federal Insurance Contributions Act.  
FISC—Foreign International Sales Company.  
FPH—Foreign Personal Holding Company.  
F.R.—Federal Register.  
FUTA—Federal Unemployment Tax Act.  
FX—Foreign corporation.  
G.C.M.—Chief Counsel’s Memorandum.  
GE—Grantee.  
GP—General Partner.  
GR—Grantor.  
IC—Insurance Company.  
I.R.B.—Internal Revenue Bulletin.  
LE—Lessee.  
LP—Limited Partner.  
LR—Lessor.  
M—Minor.  
Nonacq.—Nonacquiescence.  
O—Organization.  
P—Parent Corporation.  
PHC—Personal Holding Company.  
PO—Possession of the U.S.  
PR—Partner.  
PRS—Partnership.

PTE—Prohibited Transaction Exemption.  
Pub. L.—Public Law.  
REIT—Real Estate Investment Trust.  
Rev. Proc.—Revenue Procedure.  
Rev. Rul.—Revenue Ruling.  
S—Subsidiary.  
S.P.R.—Statement of Procedural Rules.  
Stat.—Statutes at Large.  
T—Target Corporation.  
T.C.—Tax Court.  
T.D.—Treasury Decision.  
TFE—Transferee.  
TFR—Transferor.  
T.I.R.—Technical Information Release.  
TP—Taxpayer.  
TR—Trust.  
TT—Trustee.  
U.S.C.—United States Code.  
X—Corporation.  
Y—Corporation.  
Z—Corporation.

## Numerical Finding List<sup>1</sup>

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<sup>1</sup>A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2016–27 through 2016–52 is in Internal Revenue Bulletin 2016–52, dated December 26, 2016.

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<sup>1</sup>A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2016–27 through 2016–52 is in Internal Revenue Bulletin 2016–52, dated December 26, 2016.



# **Internal Revenue Service**

## **Washington, DC 20224**

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## **INTERNAL REVENUE BULLETIN**

The Introduction at the beginning of this issue describes the purpose and content of this publication. The weekly Internal Revenue Bulletins are available at *www.irs.gov/irb/*.

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If you have comments concerning the format or production of the Internal Revenue Bulletin or suggestions for improving it, we would be pleased to hear from you. You can email us your suggestions or comments through the IRS Internet Home Page (*www.irs.gov*) or write to the Internal Revenue Service, Publishing Division, IRB Publishing Program Desk, 1111 Constitution Ave. NW, IR-6230 Washington, DC 20224.