

Determination of Housing Cost Amounts Eligible for Exclusion or Deduction for 2007

Notice 2007-77 (10/1/2007)

SECTION 1. PURPOSE

This notice provides adjustments to the limitation on housing expenses for purposes of section 911 of the Internal Revenue Code (Code) for specific locations for 2007. 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) of the Code allows a qualified individual to elect to exclude from gross income the foreign earned income and housing cost amount of such individual. Section 911(c)(1) defines the term "housing cost amount" as an amount equal to the excess of (A) the housing expenses of an individual for the taxable year to the extent such expenses do not exceed the amount determined under section 911(c)(2), over (B) 16 percent of the exclusion amount (computed on a daily basis) in effect under section 911(b)(2)(D) for the calendar year in which such taxable year begins (\$70.44 per day for 2007, or \$85,700 for the full year), multiplied by the number of days of that taxable year within the applicable period described in section 911(d)(1). The applicable period is the period during which the individual meets the tax home requirement of section 911(d)(1) and either the bona fide residence requirement of section 911(d)(1)(A) or the physical presence requirement of section 911(d)(1)(B). Assuming that the entire taxable year of a qualified individual is within the applicable period, the section 911(c)(1)(B) amount for 2007 is \$13,712 (\$85,700 x .16).

Section 911(c)(2)(A) of the Code limits the housing expenses taken into account in section 911(c)(1)(A) to an amount equal to (i) 30 percent (adjusted as may be provided under the Secretary's authority under section 911(c)(2)(B)) of the amount in effect under section 911(b)(2)(D) for the calendar year in which the taxable year of the individual begins, multiplied by (ii) the number of days of that taxable year within the applicable period described in section 911(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 \$25,710 (\$85,700 x .30) in 2007.

Section 911(c)(2)(B) of the Code authorizes the Secretary to issue regulations or other guidance to adjust the percentage under section 911(c)(2)(A)(i) 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 published Notice 2006-87, 2006-43 I.R.B. 766, and Notice 2007-25, 2007-12 I.R.B. 760, to provide adjustments to the limitation on housing expenses for 2006 for qualified individuals incurring housing expenses in countries with high housing costs relative to housing costs in the United States.

SECTION 3. TABLE OF ADJUSTED LIMITATIONS FOR 2007

The following table provides adjusted limitations on housing expenses (in lieu of the otherwise applicable limitation of \$25,710) for 2007.

| Country | Location | Limitation on Housing Expenses (daily) | Limitation on Housing Expenses (full year) |
|--------------|--------------|--|--|
| Argentina | Buenos Aires | 120.27 | 43,900 |
| Australia | Canberra | 70.68 | 25,800 |
| Australia | Melbourne | 72.60 | 26,500 |
| Australia | Perth | 109.59 | 40,000 |
| Austria | Vienna | 78.97 | 28,824 |
| Bahamas, The | Nassau | 136.16 | 49,700 |
| Bahrain | Bahrain | 120.55 | 44,000 |
| Barbados | Barbados | 103.29 | 37,700 |
| Belgium | Antwerp | 98.90 | 36,100 |

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|--------------------|--|---------|---------|
| Belgium | Brussels | 137.53 | 50,200 |
| Belgium | Gosselies | 98.90 | 36,100 |
| Belgium | Hoogbuul | 98.90 | 36,100 |
| Belgium | Mons | 98.90 | 36,100 |
| Belgium | SHAPE/Chievres | 98.90 | 36,100 |
| Bermuda | Bermuda | 197.26 | 72,000 |
| Bosnia-Herzegovina | Sarajevo | 74.52 | 27,200 |
| Brazil | Brasilia | 101.64 | 37,100 |
| Brazil | Rio de Janeiro | 96.16 | 35,100 |
| Brazil | Sao Paolo | 127.40 | 46,500 |
| Canada | Calgary | 109.04 | 39,800 |
| Canada | Dartmouth | 92.88 | 33,900 |
| Canada | Edmonton | 83.01 | 30,300 |
| Canada | Halifax | 92.88 | 33,900 |
| Canada | London/Ontario | 79.18 | 28,900 |
| Canada | Montreal | 153.97 | 56,200 |
| Canada | Ottawa | 118.90 | 43,400 |
| Canada | Toronto | 126.03 | 46,000 |
| Canada | Vancouver | 122.19 | 44,600 |
| Canada | Victoria | 92.33 | 33,700 |
| Canada | Winnipeg | 80.00 | 29,200 |
| Chile | Santiago | 96.71 | 35,300 |
| China | Beijing | 134.62 | 49,137 |
| China | Hong Kong | 313.15 | 114,300 |
| China | Shanghai | 156.17. | 57,001 |
| Colombia | Bogota | 148.22 | 54,100 |
| Colombia | All cities other than Bogota and Barranquilla | 123.01 | 44,900 |
| Costa Rica | San Jose | 71.78 | 26,200 |
| Dominican Republic | Santo Domingo | 110.96 | 40,500 |
| Ecuador | Guayaquil | 84.38 | 30,800 |
| Ecuador | Quito | 83.56 | 30,500 |
| France | Garches | 238.90 | 87,200 |
| France | Le Havre | 105.48 | 38,500 |
| France | Lyon | 149.32 | 54,500 |
| France | Marseille | 139.73 | 51,000 |
| France | Montpellier | 123.84 | 45,200 |
| France | Paris | 238.90 | 87,200 |
| France | Sevres | 238.90 | 87,200 |
| France | Suresnes | 238.90 | 87,200 |
| France | Versailles | 238.90 | 87,200 |
| Germany | Babenhausen | 116.97 | 42,700 |
| Germany | Bad Aibling | 99.73 | 36,400 |
| Germany | Bad Nauheim | 93.42 | 34,100 |
| Germany | Baumholder | 106.58 | 38,900 |
| Germany | Berlin | 143.29 | 52,300 |
| Germany | Birkenfeld | 106.58 | 38,900 |
| Germany | Boeblingen | 127.40 | 46,500 |
| Germany | Butzbach | 91.51 | 33,400 |
| Germany | Darmstadt | 116.99 | 42,700 |
| Germany | Erlangen | 74.25 | 27,100 |
| Germany | Frankfurt am Main | 122.19 | 44,600 |
| Germany | Friedberg | 93.42 | 34,100 |
| Germany | Fuerth | 74.25 | 27,100 |
| Germany | Garmisch-Partenkirchen | 101.10 | 36,900 |
| Germany | Geilenkirchen | 80.27 | 29,300 |
| Germany | Gelnhausen | 126.58 | 46,200 |
| Germany | Germersheim | 88.77 | 32,400 |

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|---------|---|--------|--------|
| Germany | Giebelstadt | 101.40 | 37,000 |
| Germany | Giessen | 91.51 | 33,400 |
| Germany | Grafenwoehr | 75.89 | 27,700 |
| Germany | Hanau | 126.58 | 46,200 |
| Germany | Hannover | 87.40 | 31,900 |
| Germany | Heidelberg | 116.71 | 42,600 |
| Germany | Idar-Oberstein | 106.58 | 38,900 |
| Germany | Ingolstadt | 125.75 | 45,900 |
| Germany | Kaiserslautern, Landkreis | 130.41 | 47,600 |
| Germany | Kitzingen | 101.40 | 37,000 |
| Germany | Leimen | 116.71 | 42,600 |
| Germany | Ludwigsburg | 127.40 | 46,500 |
| Germany | Mainz | 143.84 | 52,500 |
| Germany | Mannheim | 116.71 | 42,600 |
| Germany | Munich | 125.75 | 45,900 |
| Germany | Nellingen | 127.40 | 46,500 |
| Germany | Neubruেকে | 106.58 | 38,900 |
| Germany | Nuernberg | 74.25 | 27,100 |
| Germany | Ober Ramstadt | 116.99 | 42,700 |
| Germany | Oberammergau | 101.10 | 36,900 |
| Germany | Pirmasens | 130.41 | 47,600 |
| Germany | Rheinau | 116.71 | 42,600 |
| Germany | Schwabach | 74.25 | 27,100 |
| Germany | Schwetzingen | 116.71 | 42,600 |
| Germany | Seckenheim | 116.71 | 42,600 |
| Germany | Sembach | 130.41 | 47,600 |
| Germany | Stuttgart | 127.40 | 46,500 |
| Germany | Wertheim | 101.40 | 37,000 |
| Germany | Wiesbaden | 143.84 | 52,500 |
| Germany | Wuerzberg | 101.40 | 37,000 |
| Germany | Zirndorf | 74.25 | 27,100 |
| Germany | Zweibrueken | 130.41 | 47,600 |
| Germany | All cities other than Augsburg, Babenhause, 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, Giessen, 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, | 103.29 | 37,700 |

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| | Mannheim, Moenchen-Gladbach, Muenster, Munich, Nellingen, Neubruেকে, Noervenich, Nuernberg, Ober Ramstadt, Oberammergeau, Osterholz-Scharmbeck, Pirmasens, Rheinau, Rheinberg, Schwabach, Schwetzinger, Seckenheim, Sembach, Stuttgart, Twisteden, Wahn, Wertheim, Wiesbaden, Worms, Wuerzburg, Zirndorf and Zweibrueken. | | |
| Greece | Athens | 94.25 | 34,400 |
| Greece | Argyroupolis | 91.23 | 33,300 |
| Greece | Elefsis | 94.25 | 34,400 |
| Greece | Ellinikon | 94.25 | 34,400 |
| Greece | Mt. Hortiatis | 91.23 | 33,300 |
| Greece | Mt. Parnis | 94.25 | 34,400 |
| Greece | Mt. Pateras | 94.25 | 34,400 |
| Greece | Nea Makri | 94.25 | 34,400 |
| Greece | Perivolaki | 91.23 | 33,300 |
| Greece | Piraeus | 94.25 | 34,400 |
| Greece | Souda Bay (Crete) | 72.88 | 26,600 |
| Greece | Tanagra | 94.25 | 34,400 |
| Greece | Thessaloniki | 91.23 | 33,300 |
| Guatemala | Guatemala City | 103.01 | 37,600 |
| Holy See, The | Holy See, The | 159.18 | 58,100 |
| Hungary | Budapest | 89.04 | 32,500 |
| India | Mumbai | 156.19 | 57,011 |
| India | New Delhi | 73.75 | 26,920 |
| Indonesia | Jakarta | 103.49 | 37,776 |
| Ireland | Dublin | 80.55 | 29,400 |
| Ireland | Limerick | 80.00 | 29,200 |
| Ireland | Shannon Area | 80.00 | 29,200 |
| Italy | Catania | 78.63 | 28,700 |
| Italy | Genoa | 103.29 | 37,700 |
| Italy | Gioia Tauro | 85.48 | 31,200 |
| Italy | La Spezia | 103.29 | 37,700 |
| Italy | Leghorn | 99.45 | 36,300 |
| Italy | Milan | 237.53 | 86,700 |
| Italy | Naples | 131.23 | 47,900 |
| Italy | Pisa | 99.45 | 36,300 |
| Italy | Pordenone-Aviano | 109.59 | 40,000 |
| Italy | Rome | 159.18 | 58,100 |
| Italy | Sardinia | 81.37 | 29,700 |
| Italy | Sigonella | 78.63 | 28,700 |
| Italy | Turin | 118.63 | 43,300 |
| Italy | Verona | 75.89 | 27,700 |
| Italy | Vicenza | 110.68 | 40,400 |
| Italy | All cities other than Avellino, Brindisi, Catania, Florence, Gaeta, Genoa, Gioia Tauro, La Spezia, Leghorn, Milan, Mount Vergine, Naples, Nettuno, Pisa, Pordenone-Aviano, | 91.23 | 33,300 |

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| | Rome, Sardinia, Sigonella, Turin, Verona and Vicenza. | | |
| Jamaica | Kingston | 112.88 | 41,200 |
| Japan | Akashi | 73.70 | 26,900 |
| Japan | Atsugi | 93.15 | 34,000 |
| Japan | Camp Zama | 93.15 | 34,000 |
| Japan | Chiba-Ken | 93.15 | 34,000 |
| Japan | Fussa | 93.15 | 34,000 |
| Japan | Gifu | 80.00 | 29,200 |
| Japan | Gotemba | 75.07 | 27,400 |
| Japan | Haneda | 93.15 | 34,000 |
| Japan | Kanagawa-Ken | 93.15 | 34,000 |
| Japan | Komaki | 80.00 | 29,200 |
| Japan | Machida-Shi | 93.15 | 34,000 |
| Japan | Nagoya | 103.52 | 37,786 |
| Japan | Okinawa Prefecture | 123.56 | 45,100 |
| Japan | Osaka-Kobe | 145.30 | 53,036 |
| Japan | Sagamihara | 93.15 | 34,000 |
| Japan | Saitama-Ken | 93.15 | 34,000 |
| Japan | Sasebo | 73.70 | 26,900 |
| Japan | Tachikawa | 93.15 | 34,000 |
| Japan | Tokyo | 234.79 | 85,700 |
| Japan | Tokyo-to | 99.73 | 36,400 |
| Japan | Yokohama | 131.23 | 47,900 |
| Japan | Yokosuka | 113.42 | 41,400 |
| Japan | Yokota | 93.15 | 34,000 |
| Korea | Camp Carroll | 77.53 | 28,300 |
| Korea | Camps Market | 179.18 | 65,400 |
| Korea | Chinhae | 83.01 | 30,300 |
| Korea | Chunchon | 76.99 | 28,100 |
| Korea | Colbern | 179.18 | 65,400 |
| Korea | K-16 | 179.18 | 65,400 |
| Korea | Kimhae | 86.03 | 31,400 |
| Korea | Kimpo Airfield | 179.18 | 65,400 |
| Korea | Kwangju | 82.19 | 30,000 |
| Korea | Mercer | 179.18 | 65,400 |
| Korea | Munsan | 75.62 | 27,600 |
| Korea | Osan AB | 93.42 | 34,100 |
| Korea | Pusan | 86.03 | 31,400 |
| Korea | Pyongtaek | 93.42 | 34,100 |
| Korea | Seoul | 179.18 | 65,400 |
| Korea | Suwon | 179.18 | 65,400 |
| Korea | Taegu | 97.53 | 35,600 |
| Korea | Tongduchon | 75.62 | 27,600 |
| Korea | Uijongbu | 106.85 | 39,000 |
| Korea | Waegwan | 77.53 | 28,300 |
| Korea | All cities other than Ammo Depot #9, Camp Carroll, Camps Market, Changwon, Chinhae, Chunchon, Colbern, K-16, Kimhae, Kimpo Airfield, Kunsun, Kwangju, Mercer, Munsan, Osan AB, Pusan, Pyongtaek, Seoul, Suwon, Taegu, Tongduchon, Uijongbu, and Waegwan. | 87.40 | 31,900 |
| Kuwait | Kuwait City | 166.85 | 60,900 |
| Kuwait | All cities other than Kuwait City | 149.59 | 54,600 |

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| Luxembourg | Luxembourg | 130.68 | 47,700 |
| Macedonia | Skopje | 96.99 | 35,400 |
| Malaysia | Kuala Lumpur | 131.50 | 48,000 |
| Malaysia | All cities other than Kuala Lumpur | 92.33 | 33,700 |
| Malta | Malta | 108.22 | 39,500 |
| Mexico | Hermosillo | 91.23 | 33,300 |
| Mexico | Mazatlan | 81.92 | 29,900 |
| Mexico | Mexico City | 116.16 | 42,400 |
| Mexico | Monterrey | 108.49 | 39,600 |
| Mexico | All cities other than Ciudad Juarez, Cuernavaca, Guadalajara, Hermosillo, Matamoros, Mazatlan, Merida, Metapa, Mexico City, Monterrey, Nogales, Nuevo Laredo, Tapachula, Tijuana, Tuxtla Gutierrez, Veracruz | 103.84 | 37,900 |
| Netherlands | Amsterdam | 144.93 | 52,900 |
| Netherlands | Aruba | 98.63 | 36,000 |
| Netherlands | Brunssum | 90.14 | 32,900 |
| Netherlands | Eygelshoven | 90.14 | 32,900 |
| Netherlands | Hague, The | 163.29 | 59,600 |
| Netherlands | Heerlen | 90.14 | 32,900 |
| Netherlands | Hoensbroek | 90.14 | 32,900 |
| Netherlands | Hulsberg | 90.14 | 32,900 |
| Netherlands | Kerkrade | 90.14 | 32,900 |
| Netherlands | Landgraaf | 90.14 | 32,900 |
| Netherlands | Maastricht | 90.14 | 32,900 |
| Netherlands | Papendrecht | 114.52 | 41,800 |
| Netherlands | Rotterdam | 114.52 | 41,800 |
| Netherlands | Schaesburg | 90.14 | 32,900 |
| Netherlands | Schinnen | 90.14 | 32,900 |
| Netherlands | Schiphol | 144.93 | 52,900 |
| Netherlands | Ypenburg | 163.29 | 59,600 |
| 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. | 83.29 | 30,400 |
| New Zealand | Auckland | 97.81 | 35,700 |
| New Zealand | Wellington | 92.60 | 33,800 |
| Nicaragua | Managua | 87.12 | 31,800 |
| Norway | Oslo | 83.76 | 30,573 |
| Norway | Stavanger | 96.44 | 35,200 |
| Norway | All cities other than Oslo and Stavanger. | 98.08 | 35,800 |
| Panama | Panama City | 88.22 | 32,200 |
| Peru | Lima | 74.79 | 27,300 |
| Philippines | Cavite | 98.63 | 36,000 |
| Philippines | Manila | 98.63 | 36,000 |
| Poland | Poland | 72.33 | 26,400 |
| Portugal | Alverca | 145.48 | 53,100 |

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| Portugal | Lajes Field | 71.78 | 26,200 |
| Portugal | Lisbon | 145.48 | 53,100 |
| Qatar | Doha | 95.30 | 34,786 |
| Russia | Moscow | 249.04 | 90,900 |
| Russia | Saint Petersburg | 113.70 | 41,500 |
| Russia | Sakhalin Island | 212.33 | 77,500 |
| Russia | Vladivostok | 212.33 | 77,500 |
| Russia | Yekaterinburg | 129.86 | 47,400 |
| Rwanda | Kigali | 86.30 | 31,500 |
| Saudi Arabia | Jeddah | 84.02 | 30,667 |
| Saudi Arabia | Riyadh | 84.02 | 30,667 |
| Singapore | Singapore | 155.34 | 56,700 |
| South Africa | Pretoria | 110.14 | 40,200 |
| Spain | Barcelona | 108.49 | 39,600 |
| Spain | Madrid | 107.67 | 39,300 |
| Spain | Rota | 92.60 | 33,800 |
| Spain | Valencia | 111.51 | 40,700 |
| Switzerland | Bern | 139.45 | 50,900 |
| Switzerland | Geneva | 194.25 | 70,900 |
| Switzerland | Zurich | 107.45 | 39,219 |
| Switzerland | All cities other than Bern, Geneva and Zurich. | 90.14 | 32,900 |
| Taiwan | Taipei | 122.42 | 44,685 |
| Thailand | Bangkok | 100.27 | 36,600 |
| Turkey | Ankara | 89.04 | 32,500 |
| Turkey | Elmadag | 89.04 | 32,500 |
| Turkey | Izmir-Cigli | 86.58 | 31,600 |
| Turkey | Manzarali | 89.04 | 32,500 |
| Turkey | Yamanlar | 86.58 | 31,600 |
| Ukraine | Kiev | 89.98 | 32,844 |
| United Arab Emirates | Abu Dhabi | 84.07 | 30,687 |
| United Arab Emirates | Dubai | 116.31 | 42,452 |
| United Kingdom | Basingstoke | 112.60 | 41,099 |
| United Kingdom | Bath | 112.33 | 41,000 |
| United Kingdom | Bracknell | 170.14 | 62,100 |
| United Kingdom | Bristol | 106.03 | 38,700 |
| United Kingdom | Cambridge | 117.81 | 43,000 |
| United Kingdom | Caversham | 202.19 | 73,800 |
| United Kingdom | Cheltenham | 128.22 | 46,800 |
| United Kingdom | Chicksands | 72.60 | 26,500 |
| United Kingdom | Croughton | 105.75 | 38,600 |
| United Kingdom | Fairford | 108.77 | 39,700 |
| United Kingdom | Farnborough | 141.92 | 51,800 |
| United Kingdom | Felixstowe | 123.29 | 45,000 |
| United Kingdom | Gibraltar | 122.24 | 44,616 |
| United Kingdom | Harrogate | 119.18 | 43,500 |
| United Kingdom | High Wycombe | 170.14 | 62,100 |
| United Kingdom | Kemble | 108.77 | 39,700 |
| United Kingdom | Lakenheath | 150.96 | 55,100 |
| United Kingdom | Liverpool | 106.30 | 38,800 |
| United Kingdom | London | 213.15 | 77,800 |
| United Kingdom | Loudwater | 143.84 | 52,500 |
| United Kingdom | Menwith Hill | 119.18 | 43,500 |
| United Kingdom | Mildenhall | 150.96 | 55,100 |
| United Kingdom | Oxfordshire | 105.75 | 38,600 |
| United Kingdom | Plymouth | 105.75 | 38,600 |
| United Kingdom | Portsmouth | 105.75 | 38,600 |
| United Kingdom | Reading | 170.14 | 62,100 |

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| United Kingdom | Rochester | 109.32 | 39,900 |
| United Kingdom | Southampton | 121.10 | 44,200 |
| United Kingdom | Surrey | 132.61 | 48,402 |
| United Kingdom | Waterbeach | 120.27 | 43,900 |
| United Kingdom | West Byfleet | 72.33 | 26,400 |
| United Kingdom | Wiltshire | 113.97 | 41,600 |
| United Kingdom | All cities other than Basingstoke, Bath, Belfast, Birmingham Bracknell, Bristol, Brough, Bude, Cambridge, Caversham, Chelmsford, Cheltenham, Chicksands, Croughton, Dunstable, Edinburgh, Edzell, Fairford, Farnborough, Felixstowe, Ft. Halstead, Glenrothes, Greenham Common, Harrogate, High Wycombe, Hythe, Kemble, Lakenheath, Liverpool, London, Loudwater, Menwith Hill, Mildenhall, Nottingham, Oxfordshire, Plymouth, Portsmouth, Reading, Rochester, Southampton, Surrey, Waterbeach, Welford, West Byfleet, and Wiltshire. | 104.93 | 38,300 |
| Venezuela | Caracas | 156.16 | 57,000 |
| Vietnam | Hanoi | 128.22 | 46,800 |

EFFECTIVE DATE

This notice is effective for taxable years beginning on or after January 1, 2007.

DRAFTING INFORMATION

The principal author of this notice is Paul J. Carlino of the Office of Associate Chief Counsel (International). For further information regarding this notice contact Mr. Carlino at (202) 622-3840 (not a toll free call).