

## Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

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Person to Contact:

Release Date: 7/16/1999

Telephone Number:

Refer Reply To:

CC:INTL:Br1-PLR-100382-99

Date:

April 19, 1999

DO: TY:

A =

Country B =

Date C =

Date D =

Date E =

Dear A:

This is in response to your letter dated Date C, requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that A's renunciation of U.S. citizenship did not have for one of its principal purposes the avoidance of U.S. taxes under subtitle A or subtitle B of the Code. Additional information was submitted in letters dated Date D and Date E. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

A became a U.S. citizen by reason of his birth in the United States. At birth, A also became a citizen of Country B by virtue of his birth to a Country B citizen. A renounced his U.S. citizenship ("expatriated") on Date C. On the date of A's expatriation, his net worth exceeded \$543,000.

Section 877 generally provides that a citizen who loses U.S. citizenship or a U.S. long-term resident who ceases to be taxed as a lawful permanent resident (individuals who "expatriate") within the 10-year period immediately preceding the close of the taxable

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year will be taxed on U.S. source income (as modified by section 877(d)) for such taxable year, unless such loss did not have for one of its principal purposes the avoidance of U.S. taxes. Sections 2107 and 2501(a)(3) provide special estate and gift tax regimes, respectively, for individuals who expatriate with a principal purpose to avoid U.S. taxes.

A former citizen or former long-term resident will be treated as having expatriated with a principal purpose to avoid U.S. taxes for purposes of sections 877, 2107 and 2501(a)(3) if the individual's average income tax liability or the individual's net worth on the date of expatriation exceeds certain thresholds. See sections 877(a)(2), 2107(a)(2)(A) and 2501(a)(3)(B).

Under Notice 98-34, an eligible former U.S. citizen will not be presumed to have a principal purpose of tax avoidance if that former citizen submits within one year of the date of loss of U.S. citizenship a complete and good faith request for a ruling for the Secretary's determination as to whether such loss had for one of its principal purposes the avoidance of U.S. taxes. See sections 877(a)(2), 2107(a)(2)(A) and 2501(a)(3)(B).

Notice 98-34 requires that certain information be submitted with a request for a ruling that an individual's expatriation did not have for one of its principal purposes the avoidance of U.S. taxes.

A is eligible to request a ruling pursuant to Notice 98-34 because he became at birth a citizen of the United States and a citizen of another country and continues to be a citizen of such other country. In addition, A is eligible to request a ruling because following his expatriation, A is a citizen of the country in which one of his parents was born.

A submitted all the information required by Notice 97-19, as modified by Notice 98-34, including any additional information requested by the Service after review of the submission.

Accordingly, based solely on the information submitted and the representations made, it is held that A has made a complete and good faith submission in accordance with section 877(c)(1)(B) and Notice 98-34. Therefore, A will not be presumed under section 877(a)(2) as having one of his principal purposes for expatriating the avoidance of u.S. taxes.

However, because the information submitted does not clearly establish the existence or lack of a principal purpose to avoid taxes under subtitle A or B of the Code, no opinion is expressed as to whether A's expatriation had for one of its principal purposes the avoidance of such taxes. While this ruling rebuts the presumption of tax avoidance under section 877(a)(2), it is not conclusive as to whether A subsequently may be found to have a principal purpose of tax avoidance under sections 877(a)(1), 2107(a)(1), and

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2501(a)(3)(A) based on all the facts and circumstances. See section 877(c)(1). Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. In addition, no opinion is expressed as to A's U.S. tax liability for taxable periods prior to his renunciation of citizenship or for taxable periods after his renunciation of citizenship under sections of the Code other than sections 877, 2107, and 2501(a)(3).

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

A copy of this letter must be attached to A's U.S. income tax return for the year in which A obtained the ruling (whether or not A is otherwise required to file a return).

This ruling is directed only to the taxpayer(s) requesting it. Section 6110(j)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to A's representative.

Sincerely,

---

W. Edward Williams  
Senior Technical Reviewer, Branch 1  
Office of the Associate Chief Counsel  
(International)

cc: