

Internal Revenue Service

Department of the Treasury

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Person to Contact:

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Telephone Number:

Refer Reply To:

CC:INTL-PLR-122698-98

Date:

September 30, 1999

Legend

Individual A	=	
Country B	=	
Country C	=	
Date D	=	
Date E	=	
Date F	=	
Date G	=	
Year H	=	
Year I	=	

Dear

This is in response to the letter of Date D, submitted by Individual A's authorized representative requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that Individual A's loss 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. 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 penalty of perjury statements 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.

Individual A was born on Date F and became a U.S. citizen on the basis of her birth in the United States. Individual A renounced her United States citizenship on Date G by making an Oath of Renunciation ("expatriation") at the United States Consulate in Country C, or by means of a substantially similar act. On the date of Individual A's expatriation, her net worth exceeded the net worth required under section 877(a)(2). During Year H she became a citizen of Country B, which is also the country

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of birth and citizenship of her husband. During Year I, Individual A and her husband moved to Country C, where they presently reside.

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 year will be subject to the special rules of 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 exceed certain thresholds. See sections 877(a)(2), 2107(a)(2)(A) and 2501(a)(3)(B).

A former U.S. citizen whose net worth or average tax liability exceeds these thresholds, however, will not be presumed to have a principal purpose of tax avoidance if that former citizen is described within certain statutory categories and submits a request for a ruling within one year of the date of loss of U.S. citizenship 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(c)(1), 2107(a)(2)(B), and 2501(a)(3)(C). On Date E, the IRS issued a ruling granting to Individual A an extension of time under Treas. Reg. § 301.9100-3 to submit a ruling request provided by 877(c) and Section IV of Notice 97-19, 1997-1 C.B. 394 as modified by notice 98-34, I.R.B. 1998-27, 30.

Under Notice 98-34, 1998-27 I.R.B. 30, an eligible former citizen will not be presumed to have a principal purpose of tax avoidance if that former citizen submits a complete and good faith request for a ruling as to whether such loss had for one of its principal purposes the avoidance of U.S. taxes.

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.

Individual A is eligible to request a ruling under section 877 because she was a citizen of the country in which her husband was born as of the time of her loss of her U.S. citizenship, and she continues to be citizen of such country. See section 877(c)(2)(A)(ii)(I).

Individual 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.

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Accordingly, based solely on the information submitted and the representations made, it is held that Individual A has made a complete and good faith submission in accordance with section 877(c)(1)(B) and Notice 98-34, and therefore, she will not be presumed to have expatriated with a principal purpose of tax avoidance.

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 Individual 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 Individual A subsequently may be found to have a principal purpose of tax avoidance under sections 877(a)(1), 2107(a)(1), and 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 Individual A's U.S. tax liability for taxable periods prior to her loss of U.S. citizenship status or to tax periods after her loss of U.S. citizenship status under sections of the Code other than sections 877, 2107, and 2501(a)(3).

A copy of this letter must be attached to Individual A's U.S. income tax return for the year in which she obtained the ruling (whether or not she is otherwise required to file a return). This ruling is directed only to the taxpayer requesting it. Section 6110(k)(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 your authorized representative.

Sincerely,

ALLEN GOLDSTEIN, Reviewer
Office of Associate Chief Counsel (International)

cc: IRS Assistant Commissioner (International),
ATTN: International District Operations OP:IN:D