

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **200250025**
Release Date: 12/13/2002
Index No.: 877.01-00

Refer Reply to
CC:INTL:Br1; PLR-115701-02
Date:

September 5, 2002

A =
Date B =
Date C =
Country D =
Date E =

Dear :

This is in response to a letter dated B, by A's authorized representative, requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that 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 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 ruling, it is subject to verification on examination. The information submitted for consideration is substantially as set forth below.

A has been a citizen of Country D during her entire life by reason of her birth on Date E to parents who were citizens of Country D. A became a U.S. citizen by virtue of her birth in the United States. A relinquished her U.S. citizenship ("expatriated") on Date C. On the date of A's expatriation, her net worth exceeded the threshold required under section 877(a)(2).

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 taxed under section 877(b) and 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, 1998-2 C.B. 29, modifying Notice 97-19, 1997-1 C.B. 394, a former U.S. citizen or former long-term resident whose net worth or average tax liability exceeds the applicable threshold will not be presumed to have a principal purpose of tax avoidance if that former citizen or former resident is described within certain categories and 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. A is eligible to request a ruling pursuant to Notice 98-34 because A became at birth a citizen of the United States and a citizen of Country D, and she continues to be a citizen of Country D.

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

Based solely on the information submitted and the representations made, we conclude 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) to have as one of her principal purposes for expatriating the avoidance of U.S. taxes.

However, because the information submitted does not clearly establish either 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 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 her loss of U.S. citizenship or for taxable periods after her loss of U.S. citizenship under sections of the Code other than sections 877, 2107, and 2501(a)(3).

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.

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 A's representative.

Sincerely yours,

ELIZABETH U. KARZON
Chief, Branch 1
Office of Associate Chief Counsel
(International)