

## Internal Revenue Service

Department of the Treasury

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Person to Contact:

Telephone Number:

Refer Reply To:  
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Date:  
June 16, 2000

Dear :

This is in response to a letter from your authorized representative dated January 19, 2000, requesting a ruling on your behalf under section 877(c) of the Internal Revenue Code of 1986 (the "Code") that your loss of permanent resident status 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 rulings contained in this letter are 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 was born in Country B on Date C. Both his parents as well as his wife were also born in Country B. A was employed by a multinational firm. In Year D, A was temporarily assigned to work in the United States and his wife relocated here with him. The couple have no children. A's employer arranged for A and his wife to receive a green card on Date E. After a year and one half, A was reassigned to work in Country B. A and his wife maintained their green cards for the employer's convenience until Date F, at which time it was no longer necessary to retain green card status as A retired on Date G.

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 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

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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 a certain threshold. 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 one of these thresholds, however, will not be presumed to have a principal purpose of tax avoidance if that person 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).

Under Notice 98-34, 1998-27 I.R.B. 30, modifying Notice 97-19, 1997-1 C.B. 394, an eligible former long-term resident will not be presumed to have a principal purpose of tax avoidance if that former long-term resident is described within certain categories and submits a complete and good faith request for a ruling within one year of the date of loss of long term residency status for the Secretary's determination 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 he is described in three categories of individuals eligible to submit ruling requests. First, on the date of A's expatriation, A was, and continues to be, a citizen and resident fully liable to income tax in Country B, the country where A was born. Second, A is also eligible to submit a request because his parents were born in Country B. Finally, A is eligible to submit a request because his spouse was born in Country B.

A submitted all the information required 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, 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 his principal purposes for expatriating the avoidance of U.S. taxes. We further conclude that A will not be treated under section 877(a)(1) as having one of his principal purposes for expatriating the avoidance of U.S. taxes because the information submitted clearly established the lack of a principal purpose to avoid taxes under subtitle A or B of the Code.

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

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referenced in this letter. In addition, no opinion is expressed as to A's United States tax liability for taxable periods prior to expatriation or A's U.S. tax liability for periods after expatriation 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 (whether or not A 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,

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Reviewer  
Office of the Associate Chief Counsel  
(International)

cc:

bcc: