

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

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Person To Contact:
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Refer Reply To:
CC:INTL:BR1
PLR-116369-04

Date:
January 03, 2005

TY:

Legend

A =
Country B =
Country C =
Year 1 =
Year 2 =
Year 3 =
Date 4 =

Dear :

This is in response to a letter dated March 15, 2004 requesting a ruling that A's loss of United States citizenship status (expatriation) 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 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. The information submitted for consideration is substantially as set forth below.

A was born in, and is a citizen of, Country B. In Year 1, A moved to the United States to continue work for his employer. At the request of his employer, A became a naturalized U.S. citizen in Year 2, for the convenience of international travel required by A's position in the company. In Year 3, A was assigned to work in Country C. A has worked and lived in Country C continuously since Year 3, and he is fully subject to tax on his income there. A relinquished his U.S. citizenship at the U.S. Embassy in Country

C on Date 4. On the date of A's expatriation, his net worth exceeded the applicable amount set forth in 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 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 U.S. citizen or former U.S. 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).

A former U.S. citizen or former U.S. long-term resident 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 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, 1998-2 C.B. 29, modifying Notice 97-19, 1997-1 C.B. 394, a former U.S. citizen or former U.S. 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 under section 877 because on the date of his expatriation he was a citizen of Country B, the country in which he was born. See section 877(c)(2)(A)(ii)(I).

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.

Accordingly, based solely on the facts 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 had as 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 a 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). 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 the taxable years prior to or after his 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,

Karen A. Rennie
Senior Technical Reviewer, Branch 1
Office of Associate Chief Counsel
(International)