

Internal Revenue Service

Department of the Treasury

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Person to Contact:

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Date:

January 18, 2000

Re

DO: TY:

A =

Country B =

Date C =

Year D =

Year E =

Date F =

Dear :

This is in response to a letter dated Date F submitted on behalf of A, requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that A's renunciation of the status of lawful permanent resident of the United States did not have for one of its principal purposes the avoidance of U.S. taxes under subtitle A or subtitle B of the Code¹. 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 declaration executed by her under penalties of perjury that she has examined the ruling request, including accompanying documents, and to the best of her knowledge and belief, the request contains all the relevant facts relating to the request, and such facts are true, correct, and complete. This office has not verified any of the material submitted in support of the ruling request, and they are subject to verification on examination.

A is a citizen of Country B by birth. She was born on Date C. A came to the United States in Year D and soon after obtained permanent resident status in the United States. She relinquished her permanent resident status and returned to Country B in Year E. As of the date she ceased to be a permanent resident of the United States, her net worth was in excess of the threshold set by the statute for a rebuttable presumption of tax avoidance under section 877(a)(2) of the Code.

¹All section references are to the Internal Revenue Code of 1986, as amended.

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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 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 exceeds certain thresholds. See sections 877(a)(2), 2107(a)(2)(A) and 2501(a)(3)(B).

A former 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), 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 whose net worth or average tax liability exceeds the applicable thresholds will not be presumed to have a principal purpose of tax avoidance if that 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.

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 she is covered by two categories of individuals eligible to submit ruling requests. First, within a reasonable period after her expatriation, A became a resident fully liable to income tax in Country B, the country where she was born. Second, within a reasonable period after her expatriation, A became a resident fully liable to income tax in Country B, the country where both her parents were born.

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

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877(c)(1)(B) and Notice 98-34. Therefore, A will not be presumed 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 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 relinquishment of the status of lawful permanent resident or for taxable periods after her relinquishment of the status of lawful permanent resident, under any section 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 each of A and the second authorized representative listed in the Power of Attorney.

Yours truly,
W. EDWARD WILLIAMS
Senior Technical Reviewer
Branch No. 1
Office of the Associate Chief Counsel (International)

cc:

Assistant Commissioner (International)
International District Operations
OP:IN:D