

Internal Revenue Service

Department of the Treasury

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Person to Contact:

Telephone Number:

Refer Reply To:
CC:INTL:Br1-PLR-104695-99
Date:
July 7, 1999

TY:

A =

Country B =

Date C =

Year D =

Date E =

Dear :

This is in response to a letter dated February 26, 1999, submitted by your authorized representative requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that your loss of lawful permanent U.S. 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 ruling contained in this letter is based upon information and representations submitted by you along with a declaration under penalties of perjury executed by you. 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.

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A was born in Country B on Date C. A's spouse and A's parents were also born in Country B. A is a citizen of Country B. A became a lawful permanent resident of the United States, and moved to the United States in Year D. A relinquished her U.S. lawful permanent resident status on Date E. A moved back to country B in the same year in which she relinquished her lawful permanent resident status and has been living there ever since. On the date of A's expatriation, her net worth exceeded \$552,000, the threshold fixed by the statute for a rebuttable presumption under section 877(a)(2) of the Code.

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(a)(2), 2107(a)(2)(A) and 2501(a)(3)(B).

Under Notice 98-34, 1998-27 I.R.B. 30, modifying Notice 97-19, 1997-1 C.B. 394, a 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 described in three categories of individuals eligible to submit ruling requests. First, within a

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reasonable period after A's expatriation, A will be a resident fully liable to income tax in Country B, the country where A was born. Second, within a reasonable period after her expatriation, A will be a resident fully liable to income tax in Country B, the country where A's spouse was born. Third, A is eligible to submit a request because within a reasonable period after her expatriation, A will be a resident fully liable to tax in Country B, the country where 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 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 loss of long-term resident status or for taxable periods after her loss of long-term resident status under sections of the Code other than sections 877, 2107, and 2501(a)(3).

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.

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.

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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,

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

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