

Internal Revenue Service

Department of the Treasury
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Person to Contact:

Telephone Number

Refer Reply to
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Date:
July 18, 2001

A =

Date B =

Date C =

Country D =

Dear :

This is in response to your letter dated November 6, 2000, requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that A's loss of U.S. citizenship will 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 rulings, it is subject to verification on examination. The information submitted for consideration is substantially as set forth below.

A is a U.S. citizen by virtue of his birth in the United States on Date C. He has been residing in Country D since early childhood. He plans to relinquish his U.S. citizenship on Date B. He has filed an application to become a citizen of Country D, the country in which his spouse and parents were born.

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 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 or former 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 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).

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.

A's net worth is expected to exceed the section 877(a)(2) amount on Date B. A is eligible to request a ruling because he is becoming a citizen of the country in which his parents and spouse were born. Section 877(c)(2)(A).

Based solely on the information submitted and the representations made, A has made a complete and good faith submission in accordance with section 877(c)(1)(B). 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). This ruling will be effective only if A expatriates on or after Date B.

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 his loss of permanent residence status or for taxable periods after his loss of permanent residence status 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 A and the second representative listed on line 2 of the power attorney form.

Sincerely yours,
W. EDWARD WILLIAMS
Senior Technical Reviewer
Branch 1
Office of the Associate Chief Counsel
(International)

cc: