

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:INTL:Br1-PLR-104038-03
Date:
May 27, 2003

TY:

Legend

A =

Country B =

Date C =

Dear _____,

This is in response to your letter dated December 30th, 2002 in which you request a ruling under section 877(c) of the Internal Revenue Code ("Code") on whether one of the principal purposes for A's loss of citizenship was 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 A 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 a ruling, it is subject to verification on examination. The information submitted for consideration is substantially as set forth below.

A expatriated on Date C. A was born in the United States, and became a citizen of both the United States and Country B at birth. A continues to be a citizen of Country B.

Code section 877 generally provides that an individual who loses U.S. citizenship 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 that year, unless one of the principal purposes for the loss of citizenship was not to avoid U.S. taxes. In addition to Code section 877, sections 2107 and 2501(a)(3) provide special estate and gift tax regimes for individuals who expatriate with a principal purpose to avoid U.S. taxes.

A former citizen 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. The presumption may be rebutted, however, in the case of a former citizen who is described within certain statutory categories, and who 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 a principal purpose for that loss was 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's net worth exceeded the section 877(a)(2) threshold on Date B. She is eligible to request a ruling under Code section 877(a), because at birth she became a citizen of the United States and Country B, and she will continue to be a citizen of Country B after her expatriation.

A submitted all the information required by Notice 98-34. Based on this information, we conclude that A has made a complete and good faith submission in accordance with section 877(c)(1)(B) and Notice 98-34. We further conclude that A will not be treated under section 877(a)(2) as having as one of her principal purposes for expatriating the avoidance of U.S. taxes because the information submitted clearly establishes 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 transaction or item discussed or referenced in this letter. In addition, no opinion is expressed regarding A's U.S. tax liability for taxable periods prior to her loss of citizenship, or for taxable periods after her 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).

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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.

Sincerely,

W. Edward Williams
Senior Technical Reviewer
Office of the Associate Chief Counsel
(International)

cc: