

Internal Revenue Service

Department of the Treasury

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Person to Contact:

Telephone Number:

Refer Reply To:
CC:INTL-PLR-105293-99
Date:
October 7, 1999

Legend

Individual A =
Country B =
Country C =
Date D =
Date E =
Year F =

Dear

This is in response to the letter of February 25, 1999, submitted by Individual A's authorized representative requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that Individual A's loss of long-term 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 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.

Individual A, a former long-term resident of the United States within the meaning of section 877(e), relinquished his U.S. lawful permanent resident status ("expatriated") as of Date D, by returning his green card to a U.S. embassy or consulate in Country C, or a substantially similar act. The present ruling request was submitted within one year of Date D. Individual A has been a citizen of country B during all of his life by reason of his birth on Date E in Country B. During Year F, Individual A became a citizen of

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Country C, which is also the country of birth and citizenship of his wife.

On the date of Individual A's expatriation, his net worth exceeded the net worth required under section 877(a)(2).

Section 877 generally provides that a citizen who loses U.S. citizenship or a U.S. long-term permanent 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 permanent 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(c)(1), 2107(a)(2)(B), and 2501(a)(3)(C).

Under Notice 98-34, 1998-27 I.R.B. 30, an eligible former citizen or long term permanent resident will not be presumed to have a principal purpose of tax avoidance if he 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. Individual A is eligible to request a ruling pursuant to Notice 98-34 because he falls within one of the categories of individuals described in the notice who are eligible to submit a ruling request. Individual A has stated that as of Date D he was domiciled and fully subject to tax on his worldwide income in Country C, which is the country where his wife was born.

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. Individual A submitted all the information required by Notice 97-19, as modified by Notice 98-34, including any additional information requested by the Service after review of the submission.

Accordingly, based solely on the information submitted and the representations made, it is held that Individual A has made a complete and good faith submission in accordance with section 877(c)(1)(B) and Notice 98-34. It is further held that Individual

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A will not be treated under section 877(a)(1) as having as one of his principal purposes of expatriating the avoidance of U.S. taxes, because the information submitted clearly established 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 aspect of any transaction or item discussed or referenced in this letter. In addition, no opinion is expressed as to Individual A's U.S. tax liability for taxable periods prior to 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 Individual A's U.S. income tax return for the year in which he obtained the ruling (whether or not he 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,

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