

Internal Revenue Service

Department of the Treasury

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Person to Contact:

Telephone Number:

Refer Reply To:
CC:INTL:Br1-PLR-111128-99
Date:
December 23, 1999

Re:

TY:

A =

Date B =

Year 1 =

Year 2 =

Country C =

Dear

This is in response to your letter dated May 31, 1999, requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that A's loss of U.S. citizenship did not have for one of its principal purposes the avoidance of U.S. taxes under subtitle A or subtitle B of the Code. Additional information was submitted in letters dated August 16, 1999 and September 28, 1999. 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.

A was born in Country C on Date B. His parents also were born in Country C. A's wife was born in the United States. In Year 1, A was naturalized as a United States citizen. Until Year 2, A and his wife resided in the United States. A and his wife moved back to Country C in Year 2. Since Year 2, A and his wife have been residing

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continuously in country C. A has not renounced his U.S. citizenship, but intends to do so. A's wife does not intend to renounce her U.S. citizenship. A intends to live permanently in Country C. A is domiciled in Country C and is subject to Country C income tax on his worldwide income at a rate comparable to the applicable U.S. income tax base and rate. A is also subject to Country C's estate tax. On the intended date of his expatriation, it is represented that A's net worth will exceed the amount prescribed in section 877(a)(2).

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(c)(1), 2107(a)(2)(B), and 2501(a)(3)(C).

Under Notice 97-19, as modified by Notice 98-34, 1998-27 I.R.B. 30, a former citizen 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 citizen 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.

A is eligible to request a ruling under section 877 because he is a citizen of Country C, the country in which he was born. See section 877(c)(2)(A)(ii)(I).

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). However, it is further held that A will, nevertheless, be treated under section 877(a)(2) as having as one of his principal purposes for expatriating the avoidance of U.S. taxes because the information submitted clearly establishes a

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principal purpose to avoid taxes under subtitle A or B of the Code. Accordingly, A will be subject to the provisions of section 877(b) and the applicable provisions of sections 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. In addition, no opinion is expressed as to A's U.S. tax liability for the taxable years prior to his loss of citizenship or his United States tax liability for periods after his loss of citizenship 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, copies of this letter are being sent to the second representative listed on the power of attorney and the taxpayer.

Sincerely,

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