



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, 1997-1 C.B. 394, as modified by Notice 98-34, 1998-2 C.B. 29, an eligible former citizen will not be presumed to have a principal purpose of tax avoidance if that former citizen 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 97-19, as modified by 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 under section 877 because A was present in the United States for no more than 30 days during each year of the 10-year period ending on the date of expatriation. See section 877(c)(2)(B).

A submitted all the information required by Notice 97-19, as modified by Notice 98-34, including any additional information requested by the Service. 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 97-19, as modified by Notice 8-34. However, it is further held that A will, nevertheless, 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 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 A's U.S. tax liability for taxable periods prior to his loss of U.S. citizenship or for taxable periods after his loss of U.S. citizenship under sections of the Code other than sections 877, 2107, and 2501(a)(3).

Because A is treated under section 877(a)(1) as having as one of his principal purposes for expatriating the avoidance of U.S. taxes, he must annually file a U.S. income tax return (Form 1040NR), with the information described in Notice 97-19, section VII, Annual Information Reporting, for each year in the 10-year period following expatriation if he is liable for U.S. tax under any provision of the Code, as modified by section 877. For purposes of computing the tax due under section 877, A must recognize the realized or unrealized gains as a result of any "exchange" described in section 877(d)(2)(B), (d)(2)(E)(i), or (d)(2)(E)(ii) in the year of the exchange. For further information, A should refer to the Instructions to Form 1040NR, U.S. Nonresident Income Tax Return.

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), and to any other return required to be filed during the ten-year period following the date of A's expatriation.

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 yours,

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ALLEN GOLDSTEIN  
Office of the Associate Chief Counsel  
(International)

cc: Assistant Commissioner (International)  
International District Operations OP:IN:D  
Chief, Examination Division