

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

In Re:

Refer Reply To:

CC:INTL:Br1-PLR-127204-00

TY: 2000

Date:

April 25, 2001

A =

City B =

Country C =

Date D =

Year E =

Period F =

State G =

Date H =

Dear . :

This is in response to your letter dated November 17, 2000, on behalf of A requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 (the "Code") that A's renunciation of his United States 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. The information submitted for consideration is substantially as set forth below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer 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 rulings, it is subject to verification on examination.

A was born in City B in Country C on Date D. A's mother was a Country C citizen, and A's father, who was born in Country C, was a dual citizen of Country C and the United States (due to A's father's mother being a U.S. citizen) at the time that A was born. Upon A's birth, A was immediately registered with the U.S. embassy for U.S. citizenship by virtue of A's birth to a U.S. citizen father.

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A was raised in City B in Country C and lived there until A came to the United States for college. A returned to Country C during school vacations. A completed undergraduate and graduate studies by Year E and returned home permanently. A completed period F of obligatory military service, after which A began a career as an employee of a Country C company. A's family has served in high political office in Country C and A expects to be involved in Country C politics in the future.

A has no ties to the United States other than spending two weeks a year in the United States on vacation for the last five years and holding a State G drivers license. A has no property in the United States. A has never held any U.S. securities nor does A intend to own any U.S. securities in the future. On Date H, A renounced U.S. citizenship.

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 on U.S. source income (as modified by 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 exceeds a certain threshold. 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 one of these thresholds, however, will not be presumed to have a principal purpose of tax avoidance if that person 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, 1998-2 C.B. 29, modifying Notice 97-19, 1997-1 C.B. 394, an eligible former long-term resident will not be presumed to have a principal purpose of tax avoidance if that former long-term resident is described within certain categories and submits a complete and good faith request for a ruling within one year of the date of loss of long term residency status for the Secretary's determination 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 pursuant to Notice 98-34, because A is described in two categories of individuals eligible to submit ruling requests. First, on the date of

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A's expatriation, A was, and continues to be, a citizen and resident fully liable to income tax in Country C, the country where A was born. Second, A is also eligible to submit a request because A's father was born in Country C.

A submitted all the information required 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, we conclude that A has made a complete and good faith submission in accordance with section 877(c)(1)(B) and Notice 98-34. However, because the information submitted does not clearly establish 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 will have 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).

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 United States tax liability for taxable periods prior to expatriation or A's U.S. tax liability for periods after expatriation under sections of the Code other than sections 877, 2107, and 2501(a)(3).

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.

A copy of this letter must be attached to any income tax return to which it is relevant.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to the taxpayer.

Sincerely,
Senior Technical Reviewer
Office of the Associate Chief Counsel
(International)