

Internal Revenue Service

Department of the Treasury
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Person to Contact:

Telephone Number

Refer Reply to
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Date: June 3, 2002

A =

Country B =

Dear :

This is in response to your letter dated January 14, 2002, requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that A's loss of U.S. citizenship will not have for one of its principal purposes 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 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. The information submitted for consideration is substantially as set forth below.

A intends to relinquish her United States citizenship ("expatriate") shortly after the ruling process is complete. A was born in the United States but has lived in Country B since early childhood. A is currently a citizen and resident of Country B.

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 under section 877(b) and 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 or former long term-resident 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), 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 submitted all the information required by Notice 98-34, including any additional information requested by the Service after review of the submission. A's net worth is expected to exceed the section 877(a)(2) threshold on the date of her expatriation. A is eligible to request a ruling because she became at birth a citizen of the United States and Country B and continues to be a citizen of Country B. Section 877(c)(2)(A)(i).

Based solely on the information submitted and the representations made, A has made a complete and good faith submission in accordance with section 877(c)(1)(B). Provided that A expatriates within one year of the date of this letter, it is further concluded that A will not be treated under section 877(a)(2) as having as one of her principal purposes of expatriating the avoidance of U.S. taxes.

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 her loss of United States citizenship or for taxable periods after her expatriation 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, a copy of this letter is being sent to A.

Sincerely yours,

ELIZABETH U. KARZON
Chief, Branch 1
Office of the Associate Chief Counsel
(International)