Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Number: **200102029**
Release Date: 1/12/2001
Index Number: 877.00-00

Person to Contact:

Telephone Number:

Refer Reply To:
PLR-104213-00/CC:INTL:B1
Date:
October 12, 2000

Dear

This is in response to your letter dated February 14, 2000, 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. 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 on Date B, in Country C. A's parents were both U.S. citizens. Thus, A was a citizen of both Country C and the United States at birth. A lived in Country C until World War II broke out and the family moved to the United States, although A's family maintained a residence in City G in Country C before, during and after the war. A graduated from high school in the United States and traveled to Country C, where A met and later married A's future spouse, who was born in Country C. A spent only 11 years in the United States as a child and has lived in Country C for over F Years since A's marriage. All of A's children and grandchildren are dual citizens, but have always lived in Country C. A's center of cultural and family interests are in Country C.

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).

Under Notice 98-34, 1998-2 C.B. 29, modifying Notice 97-19, 1997-1 C.B. 394, 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 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 pursuant to Notice 97-19 because A became a citizen at birth of the United States and a citizen of another country and continues to be a citizen of the other country. See section 877(c)(2)(A)(i). A is also eligible to submit a ruling under section 877(c)(2)(A)(ii)(II) because A is a citizen of the country where A's spouse was born.

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, and therefore, A will not be presumed to have to expatriated with a principal purpose of tax avoidance.

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 had 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), or 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 U.S. tax liability for taxable periods prior to A's loss of U.S. citizenship or for taxable periods after A's loss of U.S. citizenship 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,
Office of the Associate Chief Counsel
(International)