Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Person To Contact:
, ID No.
Telephone Number:

Refer Reply To:
CC:INTL:BR1 – PLR-145196-03

Date:
December 29, 2003

Taxpayer	=
Country A	=
Date B	=
Country C	=
Colony	=
Year D	=
Date E	=
City F	=
Date G	=
Date H	=

TY:

Dear :

This is in response to a letter from your authorized representative, on your behalf, requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that your loss of U.S. permanent resident status 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 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. The information submitted for consideration is substantially as set forth below.

Taxpayer was born in Country A on Date B, and has been a citizen of Country A since birth. His wife was born in Country C Colony in Year D and has been a citizen of Country C since birth.

On Date E, Taxpayer moved to City F for purposes of employment. In mid-Date G, after a change in employment status, Taxpayer moved with his wife to Country C where he is subject to tax on his worldwide income as a resident of Country C. Taxpayer surrendered his green card at the U.S. Embassy in Country C on Date H. On the date of Taxpayer's expatriation, Taxpayer's net worth exceeded the applicable amount set forth 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 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 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 long-term resident 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 resident 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.

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.

Under section IV of Notice 97-19, as modified by section IV of Notice 98-34, a former long-term resident is eligible to submit a request for a ruling if he becomes (not later than the close of a reasonable period after his expatriation) a resident fully liable to income tax in the country where his spouse was born.

Taxpayer 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 Taxpayer has made a complete and good faith submission in accordance with section 877(c)(1)(B) and Notice 98-34, and therefore, Taxpayer will not be presumed to have expatriated with a principal purpose of tax avoidance. It is further held that Taxpayer will not 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 the lack of such a principal purpose to avoid tax 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 Taxpayer's U.S. tax liability for taxable periods prior to his expatriation or for taxable periods after his expatriation under sections of the Code other than sections 877, 2107, and 2501(a)(3).

This ruling is directed only to the taxpayer(s) 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 your authorized representative.

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

Sincerely,

Karen Rennie-Quarrie
Assistant to the Branch Chief CC:INTL:Br1

Office of the Associate Chief Counsel
(International)