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Internal Revenue Service

Department of the Treasury

Index Number: 877.01-00

Washington, DC 20224

Person to Contact:

Refer Reply To:
CC:INTL:Br1-PLR-103131-99
Date:

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TY:

A =

Date B =

Country C =

Year 1 =

Date D =

Dear :

This is in response to a letter dated December 29, 1998, from your authorized representative requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that A's loss of U.S. citizenship (expatriation) did not have for one of its principal purposes the avoidance of U.S. taxes under subtitle A or subtitle B of the Code. Additional information was submitted in letters dated May 6 and August 20, 1999. The information submitted for consideration is substantially as set forth below.

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.

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A was born on Date B and she is a citizen and tax resident of Country C. A became a U.S. citizen in Year 1. On Date D, A renounced her U.S. citizenship. During each year of the ten-year period immediately prior to her expatriation, A spent less than 30 days in the United States. At the time of A's expatriation, her net worth exceeded the 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 subject to 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)(1), 2107(a)(2)(B), and 2501(a)(3)(C).

Under Notice 98-34, 1998-27 I.R.B. 30 97-19, 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.

A is eligible to request a ruling under section 877 because during each year of the ten-year period immediately prior to her expatriation, A spent less than 30 days in the United States.

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

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A submitted all the information required by Notice 98-34, including any additional information requested by the Service after review of the submission.

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). However, it is further held that A will, nevertheless, be treated under section 877(a)(1) as having as one of her principal purposes for expatriating the avoidance of U.S. taxes because the information submitted clearly establishes a principal purpose to avoid taxes under subtitle A or B of the Code. Accordingly, A will be subject to the provisions of section 877(b) and the applicable provisions of sections 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, the original copy of this letter is being sent to your authorized representative.

Sincerely,

Allen Goldstein
Reviewer, CC:INTL

cc:

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