

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Refer Reply to  
PLR-111921-00/CC:INTL:B1  
Date:  
October 26, 2000

A =  
Date B =  
Date C =  
Country D =

Dear ;

This is in response to your letter dated June 9, 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 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.

A was born on Date B and became a U.S. citizen at birth on the basis of her father being a citizen of the United States. A is a citizen and a resident of Country D for income tax purposes. A renounced her United States citizenship on Date C. A was present in the United States for no more than 30 days during each year of the 10-year period ending on the date of expatriation. On the date of A's expatriation, her net worth exceeded the net worth required under 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, 1998-2 C.B. 29, 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 under section 877 because A became at birth a citizen of the United States and a citizen of another country and continues to be a citizen of such other country. See section 877(c)(2)(A)(i).

A submitted all the information required by Notice 98-34, including any additional information requested by the Service. 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, we further conclude that A will, nevertheless, be treated under section 877(a)(1) as having as one of her principal purposes of expatriating the avoidance of U.S. taxes because the information submitted clearly established a principal purpose to avoid taxes 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 A's U.S. tax liability for taxable periods prior to her loss of U.S. citizenship or for taxable periods after her loss of U.S. citizenship under sections of the Code other than sections 877, 2107, and 2501(a)(3).

Because A is treated under section 877(a)(1) as having as one of her principal

purposes for expatriating the avoidance of U.S. taxes, she must annually file a U.S. income tax return (Form 1040NR), with the information described in Notice 97-19, section VII, Annual Information Reporting, for each year in the 10-year period following expatriation if she is liable for U.S. tax under any provision of the Code, as modified by section 877. For purposes of computing the tax due under section 877, A must recognize the realized or unrealized gains as a result of any "exchange" described in section 877(d)(2)(B), (d)(2)(E)(i), or (d)(2)(E)(ii) in the year of the exchange. For further information, A should refer to the Instructions to Form 1040NR, U.S. Nonresident Income Tax Return.

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), and to any other return required to be filed during the ten-year period following the date of A's expatriation.

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's representative.

Sincerely yours,

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W. EDWARD WILLIAMS  
Senior Technical Reviewer  
Branch 1  
Office of the Associate Chief Counsel  
(International)

cc: Assistant Commissioner (International)  
International District Operations OP:IN:D  
Chief, Examination Division