

Internal Revenue Service

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Department of the Treasury  
Washington, DC 20224

Person to Contact:

Telephone Number

Refer Reply to:

CC:INTL:B01 PLR-100213-98

Date:

March 19, 1999

A =

Date B =

Country C =

Date D =

Country E =

Date F =

Date G =

Dear

This is in response to your letter dated December 16, 1997, requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that A's loss of long-term resident status 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 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, a former long-term resident of the United States within the meaning of section 877(e), relinquished his U.S. lawful permanent resident status ("expatriated") on Date B by returning his green card to a U.S. consulate in Country C. A was born on Date D in Country E, and has been a citizen of Country C since Date F. A became a lawful permanent resident of the United States on Date G. Country C taxes its citizens on a world wide basis. On the date of A's expatriation, his net worth exceeded \$528,000.

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 on U.S. source income (as modified by 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 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)(1), 2107(a)(2)(B), and 2501(a)(3)(C).

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

A is eligible to request a ruling pursuant to Notice 97-19 as modified by Notice 98-34 because he narrowly fails to satisfy the criteria of a category of individuals eligible to submit ruling requests. Although A was not born in Country C, A moved to Country C when he was one year old and subsequently became a naturalized citizen of Country C. A represents that he is, and will continue to be, fully liable to tax in Country C by reason of his residence. Accordingly, A narrowly fails to satisfy the category of long-term residents eligible to submit ruling requests because they are citizens of their country of birth and

become fully liable to tax in such country by reason of their residence, as described in paragraph 1(a) of Section IV of Notice 97-19.

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, it is held that A has made a complete and good faith submission in accordance with section 877(c)(1)(B) and Notice 98-34. It is further held that A will not be treated under section 877(a)(1) as having as one of his principal purposes of expatriating the avoidance of U.S. taxes because the information submitted clearly established the lack of 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 his loss of permanent residence status or for taxable periods after his loss of permanent residence status 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(j)(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,

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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