

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:INTL:BR1 – PLR-169154-03

Date:

February 14, 2005

Taxpayer =

Country =

A

Country =

B

Country =

C

Country =

D

City E =

Date 1 =

Date 2 =

TY:

Dear :

This letter is written in response to a letter from your authorized representative dated November 26, 2003, requesting a ruling on your behalf under sections 877(a)(1), 2107(a)(1) and 2501(a)(3)(A) of the Internal Revenue Code (the "Code") that your expatriation did not have as one of its principal purposes the avoidance of United States' taxes.

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.

Taxpayer was born in Country A on Date 1. Taxpayer relinquished his U.S. citizenship on Date 2. On the date of his expatriation, Taxpayer's net worth exceeded the applicable amounts 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 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.

Taxpayer is eligible to request a ruling pursuant to Notice 98-34 because on the date of his expatriation, Taxpayer became at birth a citizen of the United States and of the country in which he was born. See section 877(c)(2)(A)(i).

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. While this ruling rebuts the presumption of tax avoidance under section 877(a)(2), it is not conclusive as to whether Taxpayer may subsequently be found to have a principal purpose of tax avoidance under sections 877(a)(1), 2017(a)(1), and 2501(a)(3)(A) based on all the facts and circumstances.

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.

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 your authorized representative.

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

Sincerely,

/s/ Karen Rennie
Senior Technical Reviewer
Office of the Associate Chief Counsel
(International)

Enclosure (1)

cc: