

**Internal Revenue Service**

Department of the Treasury

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Person to Contact:  
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Date:  
June 13, 2000

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Legend

- A =
- Date B =
- Date C =
- Country D =
- Country E =
- Year F =

Dear :

This is in response to a letter dated December 29, 1999, and a supplemental letter dated March 17, 2000, submitted by A's authorized representative requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that A's loss of long-term 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 information submitted for consideration is substantially as set forth below.

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.

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. Although born in Country E, A has been a citizen of Country D all of his life through his mother and

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father. A's father and spouse were born in Country D. A became a permanent resident of the U.S. and obtained his green card during Year F. On the date of A's expatriation, his net worth and his average annual tax liability for the five-year period prior to expatriation will exceed the applicable thresholds in section 877.

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 one of 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 also not be presumed to have a principal purpose of tax avoidance if that former long-term 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 98-34 because he is described in two categories of individuals eligible to submit ruling requests. First, within a reasonable period after A's expatriation, A became a resident fully liable to income tax in Country D, the country where A's father was born. Second, A is eligible to submit a request because within a reasonable period after his expatriation, A became a resident fully liable to tax in Country D, the country where his spouse was born.

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

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solely on the information submitted and the representations made, it is concluded that A has made a complete and good faith submission in accordance with section 877(c)(1)(B) and Notice 98-34, and therefore, A will not be presumed to have expatriated with a principal purpose of tax avoidance.

It is further concluded that A will not be treated under section 877(a)(2) 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.

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,

Allen Goldstein, Reviewer  
Associate Chief Counsel (International)

cc:

Assistant Commissioner (International)  
International District Operations  
OP:IN:D