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Internal Revenue Service

Department of the Treasury

Index Number: 877.01-00

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:INTL:Br1-PLR-116312-97
Date:
April 7,1999

TY:

A =

Date B =

Country C =

Year 1 =

Year 2 =

Date D =

This is in response to a letter dated August 20, 1997, from your authorized representative requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that your 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. Additional information was submitted in letters dated December 2, 1997, and February 3 and March 9, 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 obtained his United States citizenship by virtue of his birth on Date B in the United States. A has been a citizen of Country C since birth by virtue of registration in Country C of his birth in the United States to a Country C citizen father. A resided in the United States from birth until age 6 months. He returned to the United States to attend college for three years from Year 1 to Year 2, spending summers outside the United States. He has not resided in the United States since graduating from college in Year 2 and has resided in Country C since then.

A formally renounced his United States citizenship on Date D by making an Oath of Renunciation at the United States Consulate in Country C. His loss of citizenship was subsequently confirmed by a Certificate of Loss of Nationality issued by the United States Department of State.

At the time of his expatriation, A was engaged to a citizen of Country C. A was physically present in the United States in the year of expatriation, up to the date of expatriation, for 15 days. In the two years prior to expatriation A was physically present in the United States for 30 days and 29 days, respectively.

A has no relationships, affiliations or ties to the U.S. He lives and works in Country C. He has no residences in the U.S. or other assets situated in the U.S.

Although A had determined a number of years previously to relinquish his U.S. citizenship, it was not until his impending wedding that he took the formal step of renunciation at the U.S. consulate in Country C. A intends to continue to live and work in Country C (as he has all of his life) and to raise his family in Country C.

On the date of A's expatriation, his net worth exceeded $500,000. A had no tangible assets located in the United States at the time of his expatriation or for the 5-year period prior this time.

After taking into account the standard deduction, personal exemptions, the foreign earned income exclusion and the foreign tax credit, where applicable, A had no residual U.S. income tax liability in the year of expatriation or for the three years prior thereto.

Section 877 of the Code generally provides that a citizen who loses citizenship or a long-term resident who ceases to be taxed as a U.S. resident within the 10-year period immediately preceding the close of the taxable year will be taxed on all of his or her U.S. source income (as modified by section 877(d) of the Code) for such taxable year, unless such loss did not have for one of its principal purposes the avoidance of U.S. taxes under subtitle A or subtitle B of the Code. 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 section 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 exceeds 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 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 97-19, 1997-1 C.B. 394, as modified by Notice 98-34, 1998-27 I.R.B. 30, a former citizen 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 citizen 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.

A is eligible to request a ruling under section 877 because he became at birth a citizen of both the United States and Country C and continues to be a citizen of Country C. See sections 877(c)(2)(A)(i) and (c)(2)(B).

Notice 97-19, as modified by 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 submitted all the information required by Notice 97-19, as modified 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 under section 877(a)(1) that A's expatriation did not have as one of its principal purposes the avoidance of U.S. taxes because the information submitted clearly establishes 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 the taxable

years prior to expatriation or his U.S. tax liability for periods after expatriation 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.

Pursuant to a power of attorney on file with this office a copy of this letter is being sent to your authorized representative.

Sincerely,

_____

Allen Goldstein
Reviewer
Office of Associate Chief Counsel
(International)

cc: