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Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:INTL:Br1-PLR-104798-98
Date:

AUG 10 1999

TY: 1997

A =

Country B =

Year 1 =

Year 2 =

Year 3 =

Date C =

Country D =

This is in response to your letter dated February 17, 1998, requesting a ruling under section 877(c) of the Internal Revenue Code of 1986 ("Code") that A's surrender of her U.S. Alien Registration Card (Green Card) 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 a letter dated September 9, 1998. 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 in Country B in Year 1. A's parents were also born in Country B. In Year 2, A married a U.S. citizen and obtained a Green Card. A lived in the United States until Year 3 when she returned to Country B to care for her elderly, ailing parents. A is resident in Country B and is subject to Country B income tax at rates that are comparable to the applicable U.S. income tax rates. On Date C, A surrendered her Green Card (expatriated) at the U.S. Embassy in Country B. On the date of A's expatriation, her net worth exceeded the amount set forth in section 877(a)(2). A's assets consist primarily of U.S. stocks held in a grantor trust with respect to which A is treated as the owner of the property held in the trust, U.S. Treasury Bills, a U.S. government fund and Country D real estate.

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 U.S. citizen or former U.S. 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, 1998-27 I.R.B. 30, modifying Notice 97-19, 1997-1 C.B. 394, 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 98-34 because she is a resident and fully liable to tax on her worldwide income in Country B, the country in which she was born.

A submitted all of the information required to be submitted by Notice 97-19, as modified by Notice 98-34, including 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. Therefore, A will not be presumed under section 877(a)(2) to have as one of her principal purposes for expatriating the avoidance of U.S. taxes. It is further held that A will not be treated under section 877(a)(1) as having as one of her principal purposes for expatriating 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 or after her 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.

PLR-104798-98

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to A.

Sincerely yours,

W. Edward Williams
Senior Technical Reviewer
CC:INTL:Br1