



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

September 13, 2005

OFFICE OF  
CHIEF COUNSEL

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CC:INTL:Br1:

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Dear \_\_\_\_\_ :

This is in response to your letter dated July 15, 2005, requesting information regarding the application of section 877 (Expatriation To Avoid Tax) of the Internal Revenue Code to your proposed renunciation of U.S. citizenship (expatriation). In response to your request, we provide the following information.

Prior to June 3, 2004, U.S. citizens who expatriated were presumed to have done so with a principal purpose of avoiding U.S. taxes if their prior average annual tax liability or net worth exceeded certain thresholds. Some of these individuals were eligible to request a private letter ruling from the Internal Revenue Service to the effect that they weren't giving up U.S. citizenship in order to avoid paying U.S. taxes. If not eligible to request such a ruling, these individuals were subject to the alternate tax regime described in section 877.

Section 877 was amended in 2004. Private letter rulings are no longer available. Instead, after June 3, 2004, section 877 applies without regard to any former citizen's reasons for expatriating if the individual's net worth as of the date of expatriation equals or exceeds \$2,000,000, the individual's average annual net income tax liability for the five preceding taxable years exceeds \$124,000, or the individual fails to certify under penalties of perjury that all of his or her federal tax obligations for the five preceding taxable years have been met.

Because you are a U.S. citizen you must file Form 8854 (Form and Instructions enclosed) whether or not your prior taxes or net worth equal or exceed either of the above thresholds. You must do so in order to certify that all of your tax obligations for the past five years have been met. See line 11 of Form 8854. Also, please understand that until you file Form 8854, you will continue to be treated as a U.S. citizen even if you receive a Certificate of Loss of Nationality from the Department of State indicating that

you are no longer a U.S. citizen. In other words you will continue to be subject to U.S. tax on your worldwide income until you file Form 8854.

Annual reporting on Form 8854 is required if your net worth exceeds \$2,000,000 or your average net income tax liability for the past five years exceeds \$124,000. Please see Form 8854 and instructions for further information. Additional information is available on the IRS website at [www.IRS.GOV](http://www.IRS.GOV). (In the "Search For" box, type "expatriation.")

We hope this information has answered your questions. If you have any additional questions, please contact \_\_\_\_\_ at \_\_\_\_\_ (direct dial).

Sincerely,

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Elizabeth U. Karzon  
Chief  
CC:INTL:Br1

Enclosure (1)