
An organization which is exempt from Federal income tax under section 501(c)(9) of the Internal Revenue Code of 1954 may reimburse its members for premiums paid under the medical benefits program (medicare) provided under the Social Security Amendments of 1965, Public Law 89-97, C.B. 1965-2, 601.

Advice has been requested whether an organization which is exempt from Federal income tax under section 501(c)(9) of the Internal Revenue Code of 1954 will jeopardize its exemption by reimbursing its members for premiums paid under the medical benefits program (medicare) provided under Social Security Amendments of 1965, Public Law 89-97, C.B. 1965-2, 601.

Only members over 65 years of age are entitled to the benefits provided by the act. These benefits will supplement those provided by the organization. To make certain that each eligible member is covered, the organization has agreed to assume the monthly premium cost of $3 for each individual enrolled in the program. The premium will be paid by the individual participant with the organization reimbursing him.

Section 501(c)(9) of the Code provides for the exemption, under certain conditions, of voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to members of such association or their dependents.

An organization which is exempt under section 501(c)(9) of the Code may provide such benefits for its members either through the purchase of insurance or directly from its own funds. In reimbursing its members for the premiums they pay to obtain benefits provided under the act, the organization is, in effect, providing additional benefits of the type contemplated by section 501(c)(9) of the Code.

Accordingly, the reimbursement of members for premiums paid under the medical benefits program (medicare) of the Social Security Amendments of 1965 does not jeopardize the organization's exemption under section 501(c)(9) of the Code.