

Qualification; supplemental unemployment benefit plan. An amendment to a supplemental unemployment benefit plan trust permitting an employee to authorize the trustee to deduct and pay union dues from his benefit payments will not adversely affect the qualification of the plan under section 501(c)(17) of the Code.

Advice has been requested whether a proposed amendment to a trust recognized as exempt from Federal income tax under section 501(c)(17) of the Internal Revenue Code of 1954 will, under the circumstances set forth below, adversely affect the qualification of the plan for exemption.

The trust was established pursuant to a supplemental unemployment benefit plan negotiated as a result of a collective bargaining agreement between a labor union and a corporation. The proposed amendment provides that an employee covered by the trust may authorize the trustee to deduct and pay monthly union dues out of the benefit payments otherwise payable to him.

Section 501(c)(17)(A)(i) of the Code provides for the exemption from Federal income tax of trusts forming part of a plan providing for the payment of supplemental unemployment compensation benefits if, under the plan, it is impossible, at any time prior to the satisfaction of all liabilities with respect to employees under the plan, for any part of the corpus or income to be used for, or diverted to, any purpose other than the providing of supplemental unemployment compensation benefits.

The proposed amendment to the trust in this case merely permits an employee to authorize the trustee to act as his agent in paying to the union a part of the monthly benefit to which he is entitled. Under the circumstances, the proposed amendment does not permit any part of the corpus or income to be used for, or diverted to, any purpose other than the providing of supplemental unemployment benefits. Rather, part of the employee's monthly benefits are being used, at his request, to satisfy his obligation to pay union dues.

Accordingly, the provision permitting an employee to authorize the trustee to deduct and pay union dues from his benefit payments will not adversely affect the qualification of the plan for exemption under section 501(c)(17) of the Code.