

The information submitted states that X was organized by Y as an Entity under the laws of County A, consistent with the requirements of Act. X was created to provide disability, old age and/or death benefits to Covered Employees and their beneficiaries. Y is governed by Act and Regulations and is regulated by Body. X's organizing documents provide that X's purpose is to protect Covered Employees from the financial consequences of old age and death. X has all the powers necessary to satisfy the requirements of Act and Regulations, and is permitted to take any actions necessary to satisfy such laws and to refrain from any action that would cause a breach of or non-compliance with such laws.

X derives its funds from a combination of employee contributions, employer contributions, and income from investments. The available funds of X are required to be invested responsibly, based on an investment plan adopted annually, to protect and grow the funds available for the payment of pension benefits. X is required to publish annual financial reports and audits that demonstrate X's compliance with Body's guidelines. The beneficiaries of X cannot unilaterally assign or transfer their pension benefits to another person.

Section 301.7701-1(b) of the Administration and Procedure Regulations provides that the classification of organizations that are recognized as separate entities is determined under § 301.7701-2, § 301.7701-3, and § 301.7701-4 unless a provision of the Internal Revenue Code provides for special treatment of that organization.

Section 301.7701-4(a) provides that, in general, an arrangement will be treated as a trust if it can be shown that the purpose of the arrangement is to vest in trustees responsibility for the protection and conservation of property for beneficiaries who cannot share in the discharge of this responsibility and, therefore, are not associates in a joint enterprise for the conduct of business for profit. If an entity has both associates and a business purpose, it cannot be classified as a trust for federal income tax purposes.

Based solely on the facts submitted and the representations made, we conclude that X is classified as a trust for federal income tax purposes under § 301.7701-4(a).

Except as specifically set forth above, no opinion is expressed or implied as to the federal tax consequences of the transaction described above under any other provision of the Code. Specifically, no opinion is expressed with respect to the relevance or application, if any, of the income tax treaty entered into by Country A and the United States concerning income derived from the United States by X, Y, or any Covered Employees or beneficiaries.

This ruling is directed only to the taxpayer on whose behalf it was requested. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to X's authorized representative.

Sincerely,

Bradford R. Poston
Senior Counsel, Branch 2
(Passthroughs & Special Industries)

Enclosures (2)
Copy of this letter
Copy for § 6110 purposes