



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Release Number: **201311031**

Release date: 3/15/2013

Date: December 18, 2012

U.I.L.#: 501.05-00

Contact Person:

Identification Number:

Telephone Number:

Employer Identification Number:

Legend:

Date 1 =

Date 2 =

Association =

Union =

Dear

This letter is in reference to your letter of Date 2, from your authorized representative, for a ruling regarding whether proposed amendments to your plan document will affect your tax-exempt status.

Facts:

You are a training trust, recognized by the Internal Revenue Service as a labor organization exempt from federal tax under § 501(c)(5) of the Internal Revenue Code on Date 1. You were formed as a result of collective bargaining between the Association and the Union to provide supervisory training benefits for employees covered under your trust agreement. The Association is a group of employers in the area.

You propose to amend your statement of purpose in your trust agreement to provide three new activities for your members: safety training benefits, professional development, and advertising and marketing.

You would provide the safety training benefit to journeymen, foremen, general foremen, and other supervisory members of the Union. It is mandatory that employees complete some of these safety training courses before working on certain job sites. You state that offering specific

safety training courses to employees will improve their working conditions by increasing efficiency and reducing the risk of injury.

You also plan to fund professional development training relating to the trade that is not available at the local union facility, but is available elsewhere. You state that offering the professional development training will improve employees' working conditions by improving communication, achieve a higher degree of efficiency, and improve the quality of work product.

Finally, you plan to conduct advertising and marketing activities that would consist of placing signage within local sports arenas and the local airport, as well as sponsoring local youth sports teams to promote the interests of the group.

You plan to add the following provision to your trust agreement:

...to provide such other opportunities as the trustees shall deem to inure to the benefit of the employees, including marketing and advertising expenditures designed to generate employment opportunities for such employees.

You state that the marketing and advertising activities would promote public awareness of the skill, safety and professionalism exhibited by your members in the performance of their craft. Further, your advertising activities will not benefit any particular individual member or employer. In addition, your marketing activities will not result in the marketing of the particular products of your members or employers. You will not sell advertising or obtain income through your advertising and marketing activity. Your advertising and marketing activities will promote awareness of aspects such as the skill, safety, and professionalism exhibited by your members in the performance of their craft.

Ruling requested:

The proposed amendment to your plan will not affect your exempt status under § 501(c)(5).

Law:

Section 501(c)(5) provides exemption from federal income tax for labor, agricultural or horticultural organizations.

Section 1.501(c)(5)-1(a) of the Income Tax Regulations provides that the organizations contemplated by § 501(c)(5) are those which:

1. Have no net earnings inuring to the benefit of any member, and
2. Have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

Rev. Rul. 75-473, 1975-2 C.B. 213 holds that a nonprofit organization, controlled and funded

jointly by a labor union and an employer association, that operates a dispatch hall to allocate work assignments among union members and engages in other activities appropriate to a labor union qualifies for exemption as a labor organization under § 501(c)(5).

Rev. Rul. 78-42, 1978-1 C.B. 158 holds that a nonprofit apprenticeship and training committee formed by a union and an employer's association in connection with a collective bargaining agreement to conduct educational courses and programs for members, employees, and associates of the industry for the betterment of the industry is exempt under § 501(c)(5).

Analysis:

The qualifying character of a labor organization is that it has as its principal purpose the representation of employees in such matters as wages, hours of labor, working conditions, and economic benefits and the general fostering of matters affecting the working conditions of its members. An organization that has a connection with more traditional types of labor organizations such as a labor union and that engages in activities appropriate to a labor union, even though technically not a labor union itself, may qualify for exemption under § 501(c)(5). See Rev. Rul. 75-473, supra. Similar to the organization described in the ruling, you qualify as a labor organization because you carry out activities under a collective bargaining agreement between the union and the employers.

Your proposed benefits of job-related safety training and professional development training are appropriate objects under § 501(c)(5) because they improve employees' job skills and develop a higher degree of safety and efficiency in the industry and are benefits similar to those offered by other labor organizations. See Rev. Rul. 78-42, supra.

The safety training benefits, professional development, and advertising and marketing are activities normally associated with a labor union. Therefore, the safety training benefits, professional development and advertising and marketing activities will be permissible activities in furtherance of the betterment of conditions and development of a higher degree of efficiency of your members.

Conclusion:

Accordingly, based on the foregoing, we rule as follows:

The proposed amendment to your plan will not affect your tax exempt status under § 501(c)(5).

This ruling will be made available for public inspection under § 6110 after certain deletions of identifying information are made.

For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) provides that it may not be used or cited by others as precedent.

This ruling is based on the facts as they were presented and on the understanding that there will be no material changes in these facts. This ruling does not address the applicability of any section of the Code or regulations to the facts submitted other than with respect to the sections described. Because it could help resolve questions concerning your federal income tax status, this ruling should be kept in your permanent records.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

In accordance with the Power of Attorney currently on file with the Internal Revenue Service, we are sending a copy of this letter to your authorized representative.

Sincerely yours,

Ronald J. Shoemaker
Manager, Exempt Organizations
Technical Group 2

Enclosure
Notice 437