



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

Release Number: **201513004**
Release Date: 3/27/2015
Date: December 29, 2014
Uniform Issue List
501.09-00

Contact Person:

Identification Number:

Telephone Number:

Taxpayer Identification Number:

Legend:

Taxpayer =
Company A =
Company B =
Trust =
Plan A =
Year 1 =
Date 1 =
Date 2 =
Date 3 =

Dear .XXXXXXXX:

This responds to your letter dated December 30, 2011, requesting a ruling as to the federal tax consequences of a proposed transaction under section 501(c)(9) of the Internal Revenue Code (Code).

FACTS

Taxpayer was established by Company A, Company B's predecessor. Taxpayer holds assets that are available to provide retiree life insurance under Plan A, a welfare benefit plan that provides medical, dental, and life insurance benefits to retired employees of Company B and its affiliates. Trust also was established by Company A and holds assets that are available to provide retiree medical and dental benefits to retired management employees of Company A who are covered by Plan A. Both Taxpayer and Trust are voluntary employees' beneficiary associations (VEBAs) that have received letters from the Internal Revenue Service stating that they meet the requirements of section 501(c)(9). Taxpayer's taxable year is the calendar year.

On Date 1, Taxpayer was amended, effective Date 2, to authorize transfers of assets to Trust. During the Year 1 calendar year, Taxpayer proposes to transfer assets to Trust as needed to

XXXXXXXXXXXX XXXXXXXXXXXXXXX XXXXXXX

will continue to pay life insurance benefits under Plan A.

Taxpayer represents that all of the retired employees who will be eligible for medical benefits provided with the transferred assets currently receive basic life insurance under Plan A. Taxpayer further represents that it will be terminated no later than Date 3.

RULING REQUESTED

You requested a ruling that the proposed transfer of assets from Taxpayer to Trust will not cause Taxpayer to fail to be exempt from tax under section 501(a) as an organization described under section 501(c)(9).

LAW

Section 501(c)(9) provides for the exemption from federal income tax of VEBAs providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries if no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual.

Treas. Reg. § 1.501(c)(9)-1 provides that for an organization to be described in section 501(c)(9), it must be an employees' association; membership in the association must be voluntary; the organization must provide for the payment of life, sick, accident, or other benefits to its members; and there can be no inurement (other than by payment of permitted benefits) to the benefit of any private shareholder or individual.

Treas. Reg. § 1.501(c)(9)-3(c) defines "sick and accident benefits" for purposes of section 501(c)(9) as amounts furnished to or on behalf of a member or a member's dependents in the event of illness or injury to a member or a member's dependent. Such benefits may be provided through reimbursement to a member or a member's dependent for amounts expended because of illness or personal injury, or through the payment of premiums to a medical benefit or health insurance program.

Treas. Reg. § 1.501(c)(9)-4(a) provides, generally, that no part of the net earnings of an employees' association may inure to the benefit of any private shareholder or individual other than through the payment of benefits permitted by Treas. Reg. § 1.501(c)(9)-3.

ANALYSIS AND CONCLUSION

You asked for a ruling that the proposed transfer of assets from Taxpayer to Trust will not cause Taxpayer to fail to be exempt from tax under section 501(a) as an organization described under section 501(c)(9).

During Year 1, Taxpayer will transfer assets to Trust to provide retiree health benefits under Plan A. You represent that both Taxpayer and Trust are tax-exempt organizations described

XXXXXXXXXXXXX XXXXXXXXXXXXXXXX XXXXXXXX

under section 501(c)(9). You further represent that all of the retired employees who will be eligible for medical benefits provided with the transferred assets currently receive basic life insurance under the Plan A.

Accordingly, the proposed transfer of assets from Taxpayer to Trust will not cause Taxpayer to fail to be exempt from tax under section 501(a) as an organization described under section 501(c)(9).

RULING

Based on the information submitted, representations made, and the authorities cited above, we rule that the proposed transaction will not cause Taxpayer to fail to be exempt from tax under section 501(a) as an organization described under section 501(c)(9).

Specifically, this ruling does not address the tax consequences of the proposed transaction to Company B.

This ruling will be made available for public inspection under Code section 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.

XXXXXXXXXXXX XXXXXXXXXXXXXXX XXXXXXX

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.

Sincerely,

Mary Jo Salins
Acting Manager, EO Technical

Enclosure
Notice 437