Internal Revenue Service

Number: **201625018**
Release Date: 6/17/2016

Index Number: 501.09-00, 501.09-03

Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:TEGE:EB:HW
PLR-T-103509-15
Date: March 11, 2016

Legend:

Taxpayer =

Company =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Trust A =

Trust B =

Trust C =

Plan =

X=

$Y =

$Z =

Dear :

This responds to your letter dated October 29, 2014 and subsequent correspondence, requesting a ruling as to the continued qualification of Taxpayer under section 501(c)(9) of the Internal Revenue Code (Code) following certain transactions, including the merger of Trust A and Trust B into Taxpayer, and the transfer of assets from Trust C to Taxpayer.

FACTS

Company is a corporation that was formed through multiple business combinations. Taxpayer is a trust and represents that it and Trust A, Trust B, and Trust C are each maintained as a voluntary employees' beneficiary association (VEBA) under section 501(c)(9). Taxpayer received a letter from the Internal Revenue Service (Service), dated Date 1, stating that it is a VEBA under section 501(c)(9). Trust A received a letter from the Service, dated Date 2, stating that it is a VEBA under section 501(c)(9). Trust B received a letter from the Service, dated Date 3, stating that it is a VEBA under section 501(c)(9) of the Code. Trust C received a letter from the Service, dated Date 4, stating that it is a VEBA under section 501(c)(9).

Trust A currently provides medical and long term disability benefits under Plan to eligible employees, eligible retirees and their eligible dependents. Two subaccounts are maintained under Trust A. One subaccount provides medical benefits to eligible active employees. The other subaccount provides medical benefits to eligible retirees except those that are otherwise funded by a section 401(h) account under a defined benefit pension plan sponsored by Company or one of its affiliates.

Trust B provides life insurance benefits under Plan to eligible employees and eligible retirees and their eligible dependents.

Taxpayer currently provides medical and long term disability benefits under Plan to eligible employees, some of whose employment is subject to a collective bargaining agreement.

Trust C currently provides medical benefits under Plan to certain eligible retirees and their eligible dependents. Taxpayer represents that Trust C has at all times qualified as a trust maintained pursuant to a collective bargaining agreement under section 1.419A-2T of the Income Tax Regulations and that the contributions and related deductions for

Trust C were calculated in accordance with the requirements of section 419A(f)(5) of the Code.

MERGER OF TRUST A and TRUST B INTO TAXPAYER

Trust A and Trust B will be merged with and into Taxpayer by December 31, 2016. Taxpayer will be amended to provide that Taxpayer may be permitted to fund benefits for certain non-union retirees. Taxpayer will be renamed and three separate subtrusts will be created under Taxpayer to include: a subtrust consisting of current Trust A, a subtrust consisting of current Trust B, and a subtrust consisting of the current Taxpayer. Taxpayer represents that it will provide that none of the assets in a subtrust in Taxpayer can be used as assets for any other subtrust and none of the assets in a subtrust are available to pay for any of the other subtrusts' benefits. Each subtrust will be used to provide medical and welfare benefits to eligible active employees and retirees of Company and certain of its affiliates in the same manner as prior to the proposed merger of the trusts. Taxpayer represents that each subtrust will continue to maintain separate books and records. Taxpayer represents that no assets of any of the subtrusts will be commingled with the other subtrusts.

Taxpayer represents that it may provide other benefits under the Plan which are permissible under section 501(c)(9). Taxpayer represents that to the extent that Taxpayer provides such other benefits, Company does not have a current obligation and will not have a future obligation to provide those benefits. Any such benefits will be provided through a separate subtrust under Taxpayer, and assets of Trust A and Trust B will not be used to pay for those benefits.

TRANSFER OF ASSETS FROM TRUST C TO TAXPAYER

Taxpayer represents that Trust C will be amended to allow for a one-time transfer of (i) the Trust C balance on the date of the transfer less (ii) $Y. $Y is approximately (i) X% of the projected amount required to fund the $Z of annual benefits and claims of the Trust C and (ii) fifteen times the projected retiree contributions to Trust C. The amendment will require the one-time transfer to be completed by December 31, .

The transferred amount will be held in the general account of Taxpayer until able to fund each of the subtrusts. At such point, the funds held in the general account of Taxpayer will be transferred and allocated to each subtrust to be used during a year for the payment of health and welfare claims and expenses. None of the transferred amount will be used to fund benefits directly. Any portion of the transferred amount in excess of the amount needed to pay claims for that year will remain in Taxpayer and be used in subsequent years to provide benefits payable through the subtrusts.

Taxpayer represents that Company does not have current or future contractual obligations to pay benefits provided by the current Taxpayer, Trust A, Trust B or Trust

C. Taxpayer acknowledges and represents that it will be subject to tax on its unrelated business taxable income, including amounts held in its general account, in a manner consistent with sections 511 and 512, including section 512(a)(3) and the applicable regulations thereunder.

RULINGS REQUESTED

Taxpayer requests a ruling that the proposed merger of Trust A and Trust B into Taxpayer, and the transfer from Trust C to Taxpayer, will not result in prohibited inurement under section 501(c)(9).

LAW

Section 501(c)(9) of the Code provides an exemption from federal income tax for a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to its members 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.

Section 1.501(c)(9)-3(a) of the Income Tax Regulations provides that the life, sick, accident, or other benefits provided by a voluntary employees' beneficiary association must be payable to its members, their dependents, or their designated beneficiaries. Life, sick, accident, or other benefits may take the form of cash or noncash benefits. A voluntary employees' beneficiary association is not operated for the purpose of providing life, sick, accident, or other benefits unless substantially all of its operations are in furtherance of the provision of such benefits. Further, an organization is not described in this section if it systematically and knowingly provides benefits (of more than a de minimis amount) that are not permitted by paragraphs (b), (c), (d), or (e) of this section.

Section 1.501(c)(9)-3(b) provides, in pertinent part, that the term "life benefit" means a benefit payable by reason of the death of a member or dependent.

Section 1.501(c)(9)-3(c) provides, in pertinent part, that the term "sick and accident benefits" means amounts furnished to or on behalf of a member or a member's dependents in the event of illness or personal injury to a member or dependent. Such benefits may be provided through reimbursement to a member or a member's dependents for amounts expended because of illness or personal injury, or through the payment of premiums to a medical benefit or health insurance program. Similarly, a sick and accident benefit includes an amount paid to a member in lieu of income during a period in which the member is unable to work due to sickness or injury.

Section 1.501(c)(9)-4(a) provides, in pertinent part, 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 section 1.501(c)(9)-3. Whether prohibited inurement has occurred is a question to be determined with regard to all of the facts and circumstances, taking into account the guidelines set forth in the regulations.

ANALYSIS AND CONCLUSION

MERGER OF TRUST A AND TRUST B INTO TAXPAYER

Taxpayer represents that following the merger of Trust A and Trust B into Taxpayer, the assets of each subtrust will be used to provide medical and welfare benefits to eligible employees and retirees of Taxpayer and certain of its affiliates in the same manner as prior to merger. Taxpayer represents that each subtrust will continue to maintain separate books and record. Taxpayer also represents that none of the assets in a subtrust in Taxpayer can be used as assets for any other subtrust and none of the assets in a subtrust are available to pay any of the other subtrusts' benefits.

Based on the information submitted by Taxpayer, we conclude that the merger of Trust A and Trust B into Taxpayer will not result in prohibited inurement to a private shareholder or individual other than through the payment of permissible VEBA benefits to employees and retirees as described in section 1.501(c)(9)-3. Accordingly, the trust merger will not result in prohibited inurement under section 501(c)(9) of the Code.

TRANSFER OF ASSETS FROM TRUST C TO TAXPAYER

The amendment of Trust C, a separate welfare benefit fund under a collective bargaining agreement within the meaning of section 419A(f)(5)(A), will allow amounts that were originally set aside to provide retiree health benefits for union retirees of Company be transferred to Taxpayer and used to provide health and other welfare benefits to Company's employees and retirees. All of the benefits to be provided under Taxpayer are permissible VEBA benefits.

Based on the information submitted by Taxpayer, we conclude that the transfer of assets from Trust C to Taxpayer will not result in prohibited inurement to a private shareholder or individual other than through the payment of permissible VEBA benefits to employees and retirees as described in section 1.501(c)(9)-3 of the Income Tax Regulations. Accordingly, the transfer will not result in prohibited inurement under section 501(c)(9) of the Code.

We assume, without expressing an opinion, for purposes of this ruling, that Taxpayer has the authority to complete the transactions described and that the transactions described can otherwise be effectuated and do not fail to meet the requirements of other applicable federal and state law.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. Specifically, no opinion is expressed regarding calculation of unrelated business taxable income under section 512.

This ruling is directed only to the taxpayer requesting it. Specifically, no opinion is expressed regarding the tax consequences of the described transactions to Company, nor is any opinion expressed regarding the status under section 501(c)(9) of any trust (including subtrusts) other than Taxpayer. Section 6110(k)(3) provides that it may not be used or cited as precedent.

The rulings contained in this letter are based upon information and representations submitted by Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Sincerely,

Janet A. Laufer
Senior Technician Reviewer
Health & Welfare Branch
Office of Associate Chief Counsel
(Tax Exempt & Government Entities)