[redacted]

[redacted]

[redacted]

EP/EO:1

FEB 0 8 1982 [redacted]

EIN: [redacted]

Gentlemen:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(9) of the Internal Revenue Code of 1954.

The information submitted indicates that you were formed by Trust Agreement on [redacted]. You are operated for the purpose of collecting funds from participating employers and expending such funds to provide health care benefits for employees of such employers. To be eligible to participate, an employer must be a member of the "Association".

The "Association" for the purposes of the Trust Agreement includes the [redacted] and any other association admitted into the Trust.

Section 501(c) of the Internal Revenue Code of 1954 describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

> "(9) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if... no part of their net earnings inures (other than through such payments) to the benefit of any private shareholder or individual."

Section 1.501(c)(9)-1 of the Regulations provides:

> "To be described in section 501(c)(9) an organization must meet all of the following requirements:"
>
> (a) The organization is an employees' association,

[redacted]

(b) Membership in the association is voluntary,

(c) The organization provides for the payment of life, sick, accident, or other benefits to its members or their dependents or designated beneficiaries, and substantially all of its operations are in furtherance of providing such benefits and

(d) No part of the net earnings of the organization inures, other than by payment of the benefits referred to in paragraph (c) of this section, to the benefit of any private shareholder or individual."

In addition section 1.501(c)(9)-2(a)(1) of the regulations provides, in part, that the membership of an organization described in section 501(c)(9) must consist of individuals who become entitled to participate by reason of being employees and whose eligibility for membership is defined by reference to objective standards that constitute an employment-related bond among such individuals.

Typically, those eligible for membership in an organization described in section 501(c)(9) are defined by reference to a common employer (or affiliated employers), to coverage under one or more collective bargaining agreements (with respect to benefits provided by such agreements), to membership in a labor union, or to membership in one or more locals of a national or international labor union. For example, membership in an association might be open to all employees in specified job classifications working for certain employers at specified locations and who are entitled to benefits by reason of one or more collective bargaining agreements. In addition, employees of one or more employers engaged in the same line of business in the same geographic locale will be considered to share an employment-related bond for purposes of an organization through which their employers provide benefits. (Emphasis added).

The information submitted by you indicates that your membership does not consist of individuals who share an employment-related bond as contemplated by section 1.501(c)(9)-2(a)(1) of the regulations. Although your members are employees of one or more employers belonging to the [illegible] association in the same geographic locale, their employers [illegible] diversified lines of business.

Therefore, your membership cannot be considered [illegible] employment-related bond for purposes of an organization [illegible] employers provide benefits.

The preamble to the final regulations [illegible] makes it clear that these regulations [illegible] voluntary employees' [illegible] to those engaged in the same line of [illegible] It goes on to explain that [illegible] exempt vehicle for [illegible] scattered throughout [illegible] Internal Revenue [illegible] [illegible]

[redacted]

In addition, to allow trade associations to provide insurance benefits through a trust exempt under section 501(c)(9) would simply facilitate circumvention of the unrelated trade or business income tax otherwise applicable to such tax-exempt organizations.

Accordingly, we have determined that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(9) of the Internal Revenue Code.

You are required to file Federal income tax returns annually, with your district director.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

You have the right to protest this determination if you believe it is incorrect. Protest instructions are contained in Publication 892 enclosed.

If we do not hear from you within the time specified, this letter will become our final determination in this matter.

If you agree to the adverse action shown above, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action, within ten days of this letter. You should retain a copy for your record.

Sincerely yours,

District Director

Enclosures:
Publication