Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Person to Contact:

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Refer Reply To:
CC:TE/GE:EB:HW-PLR-164341-02
Date:
April 14, 2003

Key

Taxpayer =

Fund =

Insurance Company =

M =

Dear

This is in response to a letter dated November 8, 2002, requesting a ruling concerning the proposed transfer of a portion of the funds of an insurance reserve fund to a voluntary employees' beneficiary association (VEBA) trust and the proposed transfer of the remainder of the funds of the insurance reserve fund to a different insurance reserve fund. This ruling supplements a private letter ruling issued to Taxpayer on September 30, 2002.

FACTS

The facts are the same as described in the September 30th private letter ruling, with the following exception.

Under the proposed transaction in the previous ruling, Taxpayer was to transfer to a tax-exempt VEBA Trust all of the assets of a retired lives reserve (the Fund) held by Insurance Company that were not required to fund life insurance coverage for disabled employees. The Fund was to continue to provide the life insurance benefits for disabled employees.

The Taxpayer now proposes to transfer the portion of the assets of the Fund related to the disabled employees to a disabled life insurance reserve fund (the DLIR Fund) held by Insurance Company solely to fund life insurance benefits for the disabled employees. Reversion of any portion of the DLIR Fund to the Taxpayer will be prohibited so long as any covered employee or retired employee remains alive. The balance of the Fund assets will be transferred to the VEBA Trust in a lump-sum to be held for the purposes specified in the previous ruling. After the transfer of Fund assets to the DLIR Fund and the transfer of the remaining Fund assets to the VEBA Trust, the Fund will no longer exist.

RULING

The assets transferred from the Fund to the DLIR Fund will continue to be used to provide the same welfare benefits for the disabled employees. Accordingly, we conclude that the transfer of those assets will not result in an excise tax under section 4976(b)(1)(C) of the Internal Revenue Code. Thus, the changes to the proposed transaction will not change the Service's conclusions in its ruling to Taxpayer dated September 30, 2002.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent. Except as specifically ruled above, no opinion is expressed as to the federal tax consequences of the transaction described above under any provision of the Code.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

MARK SCHWIMMER
Senior Technican Reviewer
Division Counsel/Associate Chief Counsel
(Tax Exempt and Government Entities)

cc: