

Internal Revenue Service

Number: **202125002**

Release Date: 6/25/2021

Index Number: 501.09-00, 501.09-01

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:EEE:EB:HW

PLR-120713-20

Date:

March 23, 2021

Legend

Association =

Trust =

Date X =

Date Y =

Plan Year Z =

x =

y =

Dear :

This is in response to a letter dated September 21, 2020, supplemented by correspondence dated December 14, 2020, in which Trust's legal representative requested rulings that the provision of a student loan servicing benefit described below will not adversely affect Trust's tax exempt status under section 501(c)(9) of the Internal Revenue Code ("Code").

FACTS

Trust was established by Association, a labor organization, on Date X. Trust received a determination letter from the Internal Revenue Service, dated Date Y, stating that it was a voluntary employees' beneficiary association ("VEBA") under section 501(c)(9) of the Code. Trust provides certain benefits in the event of life, death, accident, sickness,

disability or other occurrence affecting participants and their families either on a self-funded basis or through one or more insurance policies acquired and maintained by the Trustees.

Trust proposes to offer a student loan servicing benefit to its members in addition to the benefits described above. Trust describes the benefit as an online tool that assists members with complying with certain government loan subsidy programs. Trust represents that the online tool calculates optimal forgiveness and repayment programs based on individual member data. Trust represents that the online tool electronically fills in required repayment paperwork, routes and files the member's applications digitally and provides reminders to ensure that members stay in compliance with reporting requirements. Trust further represents that the online tool also provides members with a financial literacy course that teaches members about government loan programs such as the Public Service Loan Forgiveness Program administered by the Department of Education.

Trust represents that in Plan Year Z, the student loan servicing benefit will be offered to members who are participants in any of the complimentary life insurance or introductory life insurance products provided by Trust. Trust represents that the benefit will be provided to those eligible participants on a one-time only basis, although it will continue to be provided to new eligible participants in subsequent plan years. Trust's budget for Plan Year Z projects that a total of x will be spent on benefits excluding the student loan servicing benefit. Trust represents that the student loan servicing benefit in Plan Year Z will be y and anticipates that this cost will remain the same in subsequent years. Trust represents that the student loan servicing benefit would be approximately .51% of the total benefits paid by Trust in Plan Year Z. Trust projects that the number of new eligible participants in subsequent plan years will be less than the number of new eligible participants in Plan Year Z. Accordingly, Trust represents that the cost of student loan servicing benefits will almost certainly never be more than 3% of Trust's annual expenditures.

RULINGS REQUESTED

Trust requests the following rulings:

1. That the proposed student loan servicing benefit constitutes a permissible "other benefit" within the meaning of Treas. Reg. § 1.509(c)(9)-3(d) and therefore, its provision will not cause Trust to lose its tax-exempt status under section 501(a) of the Code as an organization described in section 501(c)(9) of the Code; or
2. In the alternative, that the provision of no more than 3% of annual expenditures on the student loan servicing benefit is *de minimis* and will not cause Trust to lose its tax-exempt status under section 501(a) of the Code as an organization described in section 501(c)(9) of the Code.

LAW

Section 501(c)(9) of the Code provides that organizations exempt from income tax under section 501(a) of the Code include a voluntary employees' beneficiary association providing for the payment of life, sick, accident or other benefits to members of such association or their dependents or designated beneficiaries, if no part of 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(c) provides that a voluntary employees' beneficiary association must provide for the payment of life, sick, accident, or other benefits to its members, their dependents, or their designated beneficiaries, and substantially all of its operations must be in furtherance of providing such benefits.

Treas. Reg. § 1.501(c)(9)-3(a) provides, in relevant part, that 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.

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

Treas. Reg. § 1.501(c)(9)-3(c) provides, in relevant 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 of a member or dependent.

Treas. Reg. § 1.501(c)(9)-3(d) provides, in relevant part, that the term "other benefits" includes only benefits that are similar to life, sick, or accident benefits. A benefit is similar to a life, sick, or accident benefit if it is intended to safeguard or improve the health of a member or a member's dependents, or it protects against a contingency that interrupts or impairs a member's earning power.

Treas. Reg. § 1.501(c)(9)-3(e) provides, in relevant part, that the provision of job readjustment allowances, income maintenance payments in the event of economic dislocation, temporary living expense loans and grants at times of disaster (such as fire or flood), supplemental unemployment compensation benefits, certain severance benefits, and education or training benefits or courses (such as apprenticeship training programs) for members, are considered other benefits because they protect against a contingency that interrupts earning power.

Treas. Reg. § 1.501(c)(9)-3(f) provides examples of nonqualifying benefits that are not other benefits described in paragraphs (d) or (e).

ANALYSIS AND CONCLUSION

Treas. Reg. § 1.501(c)(9)-3(a) provides that substantially all of a VEBA's operations must be in furtherance of providing benefits such as life, sick, accident, or other benefits to its members, their dependents, or their designated beneficiaries. Treas. Reg. § 1.509(c)(9)-3(d) provides that the term "other benefits" includes only benefits that are similar to life, sick, or accident benefits if they are intended to safeguard or improve the health of a member or a member's dependents, or they protect against a contingency that interrupts or impairs a member's earning power. Pursuant to Treas. Reg. § 1.501(c)(9)-3(a), an organization is not a VEBA described under section 501(c)(9) of the Code if it systematically and knowingly provides benefits of more than a *de minimis* amount that are not life, sick, accident or other benefits.

Treas. Reg. § 1.501(c)(9)-3(e) provides that "other benefits" include certain benefits that protect against contingencies that interrupt or impair earning power, such as job readjustment allowances, income maintenance payments in the event of economic dislocation, temporary living expense loans and grants at times of disaster (such as fire or flood), supplemental unemployment compensation benefits, certain severance benefits, and education or training benefits or courses (such as apprenticeship training programs).

Based on the information submitted by Trust, we conclude that the proposed student loan servicing benefit is not an "other benefit" within the meaning of section 501(c)(9) of the Code and Treas. Reg. § 1.501(c)(9)-3 because it does not protect against a contingency that interrupts or impairs earning power.

Trust represents that the proposed annual expenditure for the student loan servicing benefit is approximately .51% of Trust's annual benefit expenditures. Therefore, provided the total annual expenditure for the student loan service benefit (together with any other nonqualifying benefits provided by the Trust) does not exceed 3% of Trust's annual benefit expenditures, the provision of the student loan servicing benefit is *de minimis* and would not adversely affect Trust's tax-exempt status under section 501(c)(9) of the Code.

This ruling is conditioned on the understanding that there will be no material changes in the facts upon which it is based.

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

The rulings set forth in this letter are based upon information and representations submitted by the 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,

Dara Alderman
Senior Counsel, Health & Welfare Branch
Office of Associate Chief Counsel
(Employee Benefits, Exempt Organizations, and
Employment Taxes)cc:

cc: