SIN [illegible]

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Contact Person:

199908054

Telephone Number:

In Reference to:

OP:E:EO:T:4

Date:

NOV 24 1998

EIN:
Key District Office:

Legend:

Trust =
Foundation =

Dear Applicant:

This is in response to your representative's letter of January 25, 1995, as amended by his letter of August 26, 1998, requesting certain rulings with respect to the termination of the Trust.

The Trust is exempt from tax as an organization described in section 501(c)(9) of the Internal Revenue Code. The Trust proposes to terminate its operations, pay all claims outstanding, and distribute its remaining assets to the Foundation. The Agreement and Declaration of Trust, as amended, provides:

> *In the event there exists a surplus in the Fund, after the payment of all obligations, the Trustees shall dispose of such surplus assets by distribution to such organization or organizations . . . as shall at the time qualify as an exempt organization or organizations under section 501(c)(3) of the Internal Revenue Code . . . .*

The Foundation is exempt from tax as an organization described in section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation under section 509(a). The Foundation is not an employer whose employees are Trust participants.

You have requested a ruling that the transfer of the Trust's remaining assets to the Foundation will not be subject to tax under section 4976 of the Code.

Section 4976(a) of the Code imposes a tax on any disqualified benefit provided by a welfare benefit fund maintained by an employer.

Section 4976(b)(1)(C) of the Code, in relevant part, defines the term "disqualified benefit" to include any portion of a welfare benefit fund reverting to the benefit of the employer.

The Foundation is not an employer with respect to the Trust, nor is it an organization that otherwise is merely an alter ego of the employer. It is a charitable organization whose assets are dedicated to charitable purposes and cannot be used for the private benefit of the employer. Therefore, distribution of the Trust's remaining assets to the Foundation is not a reversion to the benefit of an employer as defined section 4976(b)(1)(C) of the Code.

Based on the application of the above principles to the facts presented in your ruling request, we rule that the termination of the Trust and the transfer of remaining assets to the Foundation will not be subject to tax under section 4976 of the Code.

These rulings are based on the understanding that there will be no material changes in the facts upon which they are based. Any changes that may have bearing upon your tax status should be reported to the Service.

We are sending a copy of this ruling to your key District Director for exempt organization matters. Because this letter could help resolve any questions about your exempt status, you should keep it with your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

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

Thank you for your cooperation.

Sincerely yours,

(signed) G. V. Sack

Gerald V. Sack
Chief, Exempt Organizations
Technical Branch 4