

Publications

Recent IRS Letter Rulings Shine Helpful Light on Reallocation of VEBA Assets

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Ever since the restrictive and complex rules for VEBA funding were enacted over 30 years ago (Code secs. 419, 419A, 512(a)(3) and 4976), there still is no official IRS guidance on when assets held by an Internal Revenue Code section 501(c)(9) voluntary employees' beneficiary association ("VEBA") to pay one type of benefit may be reallocated to fund other welfare benefits under that plan for the same or other employees. For example, this situation may arise when retiree health liabilities are reduced – or LTD benefits are paid down – and there may be "surplus" assets in the VEBA.

Two recent companion private letter rulings (PLR 201530022, July 24, 2015, and PLR 201532037, Aug. 7, 2015) address an amendment to a VEBA trust that "would permit some assets, now dedicated to post-retirement medical benefits, to be used to provide health benefits to active employees." These new PLRs suggest that employers who would like to reallocate some of their VEBA assets to fund other "permissible benefits" should take a fresh look at the situation. Please see the attached memo for further information.

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