

***Bricklayers Benefit Plans of Delaware Valley, Inc. v. Commissioner, 81 T. C. 735 (1983)***

Pension benefits are excluded from the definition of “other benefits” under section 501(c)(9), and an association of tax-exempt funds does not qualify as a voluntary employees’ beneficiary association.

**Summary**

Bricklayers Benefit Plans of Delaware Valley, Inc. sought tax-exempt status under section 501(c)(9) as a voluntary employees’ beneficiary association. The organization, formed by trustees of employee benefit funds, provided administrative services for both welfare and pension funds. The Tax Court held that the organization did not qualify for tax-exempt status because it provided for the payment of pension benefits, which are not considered “other benefits” under the statute, and because it was not an association of employees but rather an association of funds. The decision emphasized the validity of regulations excluding pension benefits from section 501(c)(9) coverage and clarified the criteria for tax-exempt status under this section.

**Facts**

In 1971, trustees of several employee benefit welfare and pension funds organized Bricklayers Benefit Plans of Delaware Valley, Inc. , a nonprofit corporation, to provide administrative services for their funds. During the year in issue, the organization served six member funds, three of which were welfare funds exempt under section 501(c)(9), and three were pension funds exempt under section 401(a). The organization’s services included collecting employer contributions, distributing benefits, maintaining records, and providing information. It also provided similar services to seven nonmember funds. The IRS denied the organization’s application for tax-exempt status under section 501(c)(9).

**Procedural History**

The IRS initially denied the organization’s application for tax-exempt status in 1972. The organization filed a protest letter but was unsuccessful. It filed a corporate tax return for the fiscal year ended June 30, 1976, and paid \$51 in taxes, later filing an amended return claiming a refund based on its assertion of tax-exempt status. The IRS granted the refund but subsequently issued a notice of deficiency for the same amount, leading to the organization’s petition to the Tax Court.

**Issue(s)**

1. Whether the regulations excluding pension benefits from the definition of “other benefits” under section 501(c)(9) are valid and consistent with the statute.
2. Whether the organization qualifies as a voluntary employees’ beneficiary association under section 501(c)(9) by virtue of being an association of employees.

## **Holding**

1. Yes, because the regulations reasonably interpret the statute by excluding pension benefits, which do not safeguard or improve health or protect against unexpected events, from the coverage of section 501(c)(9).
2. No, because the organization is not an association of employees but an association of tax-exempt funds, and thus does not meet the requirements of section 501(c)(9).

## **Court's Reasoning**

The Tax Court upheld the validity of the regulations, finding them consistent with the statute's language and purpose. The court noted that pension benefits, payable upon retirement, do not align with the statutory intent of safeguarding health or protecting against unexpected interruptions in earning power. The court also emphasized the existence of section 401(a) for pension funds, indicating Congress's specific intent to treat pension funds differently from voluntary employees' beneficiary associations under section 501(c)(9). Additionally, the court found that the organization was not an association of employees as required by section 501(c)(9) because its members were funds, not individuals. The court quoted the regulations to clarify the definition of an "employee" and concluded that grouping tax-exempt funds does not create a tax-exempt association under section 501(c)(9).

## **Practical Implications**

This decision clarifies that organizations providing pension benefits cannot qualify for tax-exempt status under section 501(c)(9) and must instead seek exemption under section 401(a) if applicable. It also underscores the importance of meeting the "association of employees" requirement for section 501(c)(9) status. Legal practitioners should carefully analyze the nature of benefits provided by their clients and the composition of their membership when seeking tax-exempt status under this section. This ruling may affect how similar organizations structure their operations and apply for tax-exempt status, ensuring they align with the specific requirements of the relevant tax code sections.