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DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

JUN 12 2003

Uniform Issue List: 501.00-00

T:EP:RA:T3

Attention:

Legend:

Company A =

Plan X =

Trust Y =

Dear

This is in response to your request for a ruling, dated August 19, 2002, submitted by your authorized representative, as to whether Plan X (i) is a plan described in section 1022(i)(1) of the Employee Retirement Income Security Act of 1974 (ERISA) and (ii) whether the investment of Plan X assets in Trust Y will not adversely affect the exempt status of Trust Y under section 501(a) of the Internal Revenue Code. A letter dated January 9, 2003, supplemented the request.

Company A currently maintains Plan X, a profit sharing plan, which is qualified under sections 1165(a) and (e) of the Puerto Rico Internal Revenue Code of 1994 (the "Puerto Rico Code"), and, pursuant to that Code, related trusts forming part of such plans will be exempt from taxation under the income tax laws of Puerto Rico. All participants of Plan X are either bona fide residents of Puerto Rico, or perform labor or services primarily within Puerto Rico. Benefits under Plan X are funded through a trust maintained in Puerto Rico (the "Puerto Rico Plan Trust").

Trust Y currently holds the assets of two other Company A plans, each of which is qualified under section 401(a) of the Code. Trust Y is intended to satisfy the requirements for a group trust under Revenue Ruling 81-100, 1981-1 C.B. 326.

Company A desires to expand the investment opportunities available to the participants under Plan X and to value the assets of such plan on a daily basis by permitting Plan X to invest its assets in Trust Y

Based on the foregoing, you request the following rulings:

1. Plan X is a plan described in section 1022(i)(1) of ERISA and the Puerto Rico Plan Trust is exempt from tax under section 501(a) of the Code.

2. The investment of assets of Plan X in Trust Y will not adversely affect the exempt status of Trust Y under section 501(a) of the Code.

Section 501(a) of the Code provides, in pertinent part, that an organization described in Code section 401(a) shall be exempt from taxation.

Section 1022(i)(1) of ERISA provides that for purposes of section 501(a) of the Code, any trust forming part of a pension, profit sharing or stock bonus plan all of the participants of which are residents of Puerto Rico shall be treated as an organization described in Code section 401(a) if such trust both forms part of a pension, profit-sharing, or stock bonus plan, and is exempt from income tax under the laws of Puerto Rico.

Section 1.501(a)-1(e) of the Income Tax Regulations further provides, in pertinent part, that the practical effect of section 1022(i)(1) of ERISA is to exempt these trusts from U.S. income tax on income from their U.S. investments. For purposes of section 1022(i)(1) of ERISA, the term "residents of Puerto Rico" means bona fide residents of Puerto Rico, and persons who perform labor or services primarily within Puerto Rico, regardless of residence for other purposes, and the term "participants" is restricted to current employees who are not excluded under the eligibility provisions of the plans.

Rev. Rul. 81-100 sets forth the requirements which a group trust must satisfy in order to be exempt from taxation under section 501(a) of the Code. One of these requirements provides that the group trust instrument must expressly limit participation to individual retirement accounts which are exempt under Code section 408(e) and employer's pension and profit- sharing trusts which are exempt under section 501(a) by qualifying under section 401(a).

In this case, it is represented that the assets of Plan X are currently being held in the Puerto Rico Plan Trust and that Plan X is qualified under section 1165 of the Puerto Rico Code. You have represented that, pursuant to that Code, related trusts forming part of such plans will be exempt from taxation under the income tax laws of Puerto Rico. All of the participants of Plan X are residents of the Commonwealth of Puerto Rico, or perform labor or services primarily within Puerto Rico. Accordingly, based on your representations, the Puerto Rico Plan Trust meets the requirements set forth under section 1022(i)(1) of ERISA, and, as such, is exempt under section 501(a) of the Code as though it were described in section 401(a). Furthermore, because the Puerto Rico Plan Trust will be treated as an organization described in section 401(a) of the Code we conclude that the investment of

assets of Plan X in Trust Y will not adversely affect the exempt status of Trust Y under section 501(a) of the Code.

This ruling is based on the assumption that, at all relevant times, Plan X and its associated trust will be qualified under section 1165 of the Puerto Rico Code, and will meet the requirements of section 1022(i) of ERISA.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

If you have any questions concerning this private letter ruling, please contact **** ******** (ID: **-*****) at (***) ***-**** (not a toll free number).

A copy of this letter is being sent to your authorized representative in accordance with a power of attorney on file in this office.

Sincerely Yours,

/s/

Frances V. Sloan, Manager
Employee Plans Technical Group 3
Tax Exempt and Government Entities Division

Enclosures:
Notice of Intention to Disclose
Deleted Copy of Ruling

CC: