VEBA & 115 Trusts

What Sets Them Apart—and Why It Matters

While VEBAs and 115 Trusts deliver similar tax advantages for public-sector employees when paired with a Health Reimbursement Arrangement (HRA), it's important to understand the differences. Here's a closer look.

	VEBA	115 Trust
Regulatory	VEBA, or Voluntary Employee Beneficiary Association, is regulated under Section 501(c)9 of the Internal Revenue Code IRC).	A 115 Trust is authorized under IRC Section 115 and regulated by IRC provisions, Treasury regulations, and most importantly, an IRS private letter ruling (PLR).
Ownership	Typically owned by an independent association of the public-sector employees	Owned by the government employer
Primary Use	Used by both private and public-sector employers to fund specific health and welfare benefits for employees. Assets are permanently locked for benefits; cannot revert to the employer.	Used strictly for state or local government entities to fund employee benefits. Excess funds may be returned to the employer's general fund.
Tax Exemption	Once the IRS grants tax-exempt status to a VEBA trust, it remains in effect for the life of the trust.	A Section 115 trust, which is setup under the tax-exempt status of the employer, functions like a tax-exempt organization, but without formal IRS approval; its tax-exempt status may not be assured if subjected to IRS scrutiny.
Tax Filing Required	Yes	No
Tax treatment on Trust Income	• Employer contributions are tax-free • Trust earnings accumulate on a tax-exempt basis • Eligible HRA expenses are tax free	• Employer contributions are tax-free • Trust earnings accumulate on a tax-exempt basis • Eligible HRA expenses are tax free
IRS Approval Required	Yes. An IRS determination letter must be obtained within 27 months after the end of the month in which the trust was established.	No. IRS approval is not required. However, an IRS PLR is recommended.

BPAS delivers fully integrated VEBA/115 Trust administration paired with flexible HRAs to help you fund benefits efficiently, reduce complexity, and stay confident in long-term compliance.

	VEBA	115 Trust
Non-discrimination Rules	Subject to the HRA non-discrimination rules under IRC 105(h). 501(c)(9) plans also have non-discrimination rules under IRC 505 which are typically met by following HRA standards.	Subject to the HRA non-discrimination rules under IRC 105(h).
Non-discrimination Violation	Violation will disqualify the tax exemption for the entire trust. It will also cause HRA payments to become taxable for highly compensated employees.	Violation has no effect on tax exemption for the Trust. However, it will cause HRA payments to become taxable for highly compensated employees.
Setup Cost	May be expensive as the plan sponsor or administrator must prepare and submit IRS Form 1024 along with plan and trust documents for approval as a 501(c)(9) organization.	Typically less expensive as there are no IRS approval requirements. A PLR is recommended, however, which may add costs.
Why BPAS	• A national provider of retirement plans, benefit plans, and trust solutions since 1973 • Experts in administering VEBA and 115 Trusts • Delivers an easy integrated solution complete with daily valuation recordkeeper, administrator, clearing firm, actuary, claims processing, and custodial services—**everything you need to setup and maintain a VEBA/115 Trust and HRA can be done through BPAS** • Open architecture with first-dollar investments • Secure online account management with single sign-on • Fully staffed U.S.-based participant service center • Debit card and mobile app for real-time access to accounts • Free online learning center and financial wellness tools at u.bpas.com • Technology that reduces paperwork and saves HR time • Ongoing compliance support and fiduciary oversight • Your plan stays compliant and you're aware of changing regulations and guidelines	

VEBA/115 plans don't have to be complicated.
See how BPAS solutions save time, cut complexity, and support long-term success.

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