(2) Exception. Paragraph (b)(1) of this section shall not apply to an organization which—
   (i) Is established and maintained by another labor organization described in section 501(c)(5) (determined without regard to this paragraph (b)(2));
   (ii) Is not directly or indirectly established or maintained in whole or in part by one or more—
         (A) Employers;
         (B) Governments or agencies or instrumentalities thereof; or
         (C) Government controlled entities;
   (iii) Is funded by membership dues from members of the labor organization described in this paragraph (b)(2) and earnings thereon; and

(3) Example. The principles of this paragraph (b) are illustrated by the following example:

Example. Trust A is organized in accordance with a collective bargaining agreement between labor union K and multiple employers. Trust A forms part of a plan that is established and maintained pursuant to the agreement and which covers employees of the signatory employers who are members of K. Representatives of both the employers and K serve as trustees. A receives contributions from the employers who are subject to the agreement. Retirement benefits paid to K's members as specified in the agreement are funded exclusively by the employers' contributions and accumulated earnings. A also provides information to union members about their retirement benefits and assists them with administrative tasks associated with the benefits. Most of A's activities are devoted to these functions. From time to time, A also participates in the renegotiation of the collective bargaining agreement. A's principal activity is to receive, hold, invest, disburse, or otherwise manage funds associated with a retirement savings plan. In addition, A does not satisfy all the requirements of the exception described in paragraph (b)(2) of this section. (For example, A accepts contributions from employers.) Therefore, A is not a labor organization described in section 501(c)(5).

(c) Organizations described in section 501(c)(5) and otherwise exempt from tax under section 501(a) are taxable upon their unrelated business taxable income. See part II (section 511 and following), subchapter F, chapter 1 of the Code, and the regulations thereunder. [T.D. 6500, 25 FR 11737, Nov. 26, 1960; 25 FR 14021, Dec. 31, 1960, as amended by T.D. 8726, 62 FR 40449, July 29, 1997]