



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

200433021

MAY 21 2004

SE. T. EP. RAT 4

Attention: *****

Legend:

- Church A = *****
- Congregation A = *****

- Corporation M = *****
- Congregation B = *****
- Corporation N = *****
- Organization C = *****
- Organization D = *****
- Organization E = *****

- Organization F = *****
- Organization G = *****
- Organization H = *****
- Directory D = *****
- Plan X = *****
- State I = *****
- State J = *****

This is in response to your letter dated January 30, 2003, as supplemented by letters dated March 29 and April 13, 2004, in which your authorized representative requested a ruling that Plan X is a church plan within the meaning of section 414(e) of the Internal Revenue Code (the "Code").

The following facts and representations have been submitted in support of the request for a ruling:

Organization C participates in the mission of Church A and is a ministerial endeavor sponsored, owned and operated by the Church A congregations known as Congregation A and Congregation B. Congregation A and Congregation B are listed in Directory D.

Organization C is a nonstock and not-for-profit corporation organized under the laws of State I. The corporate members of Organization C are Corporation M and Corporation N, which are both exempt from tax under section 501(c)(3) of the Code and are listed in Directory D. Corporation M and Corporation N each nominate one-half of the members of the Board of Directors of Organization C, and the members may be removed with or without cause by joint action thereof.

Organization C serves as a joint operating company coordinating the health care activities of three hospitals, Organization D, Organization E and Organization H, and various other health care organizations in State J, including Organization F and Organization G. Organization C has been determined to be exempt from taxation under section 501(c)(3) of the Code. Organization C is also listed in Directory D, the official directory of Church A. Organization C adopted Plan X for the benefit of its employees, effective January 1, 1999.

Organization D is a State J nonstock not-for-profit corporation that operates a hospital. Its two members are Corporation M, which serves as its corporate member, and Organization C, which serves as its managing member. Organization D is exempt from federal taxation under section 501(c)(3) of the Code, and is listed in Directory D. Organization D adopted Plan X, for the benefit of its employees.

Organization E is a State J nonstock not-for-profit corporation that operates a hospital. Its two members are Corporation N, which serves as its corporate member, and Organization C, which serves as its managing member. Organization E is exempt from federal taxation under section 501(c)(3) of the

Code and is listed in Directory D. Organization E adopted Plan X for the benefit of its employees.

Organization F is a State J nonstock not-for-profit corporation that operates a nursing facility. Its two members are Corporation M, which serves as its corporate member, and Organization C, which serves as its managing member.

Organization F is exempt from federal taxation under section 501(c)(3) of the Code, and is listed in Directory D. Organization F adopted Plan X for the benefit of its employees.

Organization G is a State J nonstock corporation that provides health care services through employed physicians at various practice settings. Its sole corporate member is Organization C. Organization G is exempt from federal taxation under section 501(c)(3) of the Code and will be listed in the next edition of Directory D. Organization G adopted Plan X for the benefit of its employees.

Plan X is administered by the Benefit Plans Committee of Organization C, which is appointed by the Board of Directors of Organization C. The Benefit Plans Committee is controlled by or associated with Church A. Section 2.1(r) of Plan X provides that the Benefit Plans Committee means the committee selected by the Board of Directors of Organization C whose sole purpose is to administer Plan X within the meaning of Code section 414(e).

Based on these facts and representations, Organization C requests a ruling that Plan X is a "church plan" within the meaning of section 414(e)(3)(A) of the Code.

Section 414(e)(1) of the Code generally defines a church plan as a plan established and maintained for its employees (or their beneficiaries) by a church or by a convention or association of churches which is exempt from taxation under section 501 of the Code.

Section 414(e)(3)(A) of the Code provides that a plan established and maintained for its employees (or their beneficiaries) by an employer which is not itself a church or a convention or association of churches but is controlled by or associated with a church or a convention or association of churches will be treated as a church plan if it is maintained by an organization, whether a civil law corporation or otherwise, the principal purpose or function of which is the administration or funding of a plan or program for the provision of retirement benefits or welfare benefits, or both, for the employees of a church or a convention or association of churches, if such organization is controlled by or associated with a church or a convention or association of churches.

In pertinent part, section 414(e)(3)(B) of the Code provides that an "employee" of a church or a convention or association of churches shall include an employee of an

organization, whether a civil law corporation or otherwise, which is exempt from tax under section 501 of the Code, and which is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(C) of the Code provides that a church or a convention or association of churches which is exempt from tax under section 501 shall be deemed the employer of any individual included as an employee under subparagraph (B) of section 414(e)(3).

Section 414(e)(3)(D) of the Code provides that an organization, whether a civil law corporation or otherwise, is "associated" with a church or convention or association of churches if the organization shares common religious bonds and convictions with that church or convention or association of churches.

In order for an organization to have a church plan under section 414(e) of the Code, it must establish that its employees are employees or deemed employees of the church or convention or association of churches under section 414(e)(3)(B) of the Code by virtue of the organization's affiliation with the church or convention or association of churches. In addition, in the case of a plan established by an organization that is not itself a church or convention or association of churches, the plan must be established and maintained for its employees by an organization described in section 414(e)(3)(A) of the Code.

Organization C, Organization D, Organization E, Organization F and Organization G are all listed in Directory D, which is the official directory of Church A. The Internal Revenue Service has determined that any organization listed in Directory D is an organization described in section 501(c)(3) of the Code that is exempt from taxation under section 501(a). Also, any organization that is listed in Directory D is deemed to share common religious bonds and convictions with Church A and is deemed to be associated with Church A within the meaning of section 414(e)(3)(D).

Therefore, pursuant to section 414(e)(3)(B) and (C) of the Code, employees of Organization C, Organization D, Organization E, Organization F and Organization G are deemed to be employees of Church A and Church A is deemed to be the employer of such employees for purposes of the church plan rules.

However, an organization must also establish that its plan is established and maintained by a church or a convention or association of churches or by an organization described in section 414(e)(3)(A) of the Code. To be described in section 414(e)(3)(A) of the Code, an organization must have as its principal purpose the administration of the plan and must also be controlled by or associated with a church or a convention or association of churches.

Plan X is administered by the Benefit Plans Committee of Organization C. The members of the Benefit Plans Committee are appointed by the Board of Directors of Organization C who, in turn, must be approved by both Corporation M and Corporation N. Since Corporation M, Corporation N and Organization C are considered to be associated with Church A and Organization C controls the Benefit Plans Committee, the Benefit Plans Committee is also considered to be associated with Church A. Further, as represented above, the sole purpose of the Benefit Plans Committee is the administration of Plan X and the Benefit Plans Committee constitutes an organization described in Code section 414(e)(3)(A).

Therefore, the administration of Plan X satisfies the requirements regarding church plan administration under section 414(e)(3)(A) of the Code. Accordingly, Plan X is maintained by an organization that is controlled by or associated with a church or a convention or association of churches, the principal purpose or function of which is the administration of Plan X for the provision of retirement benefits.

Accordingly, we conclude that Plan X qualifies as a church plan within the meaning of section 414(e)(3)(A) of the Code.

This letter expresses no opinion whether Plan X meets the requirements of section 403(b) of the Code. The ruling as to whether an arrangement meets the requirements of section 403(b) may be the subject of a separate request for a ruling from the Service.

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

The original of this letter has been sent to your authorized representative in accordance with the power of attorney on file in this office.

If you have any questions, please contact ***** I.D. # **-*****, at (***) ***-****.

Sincerely yours,



for Donzell Littlejohn, Manager
Employee Plans Technical Group 4

Enclosures:

Copy of letter ruling
Copy of deleted letter ruling
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