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Internal Revenue Service

Department of the Treasury

Washington, DC 20224

SSN: 414.08-00

Contact Person:

Telephone Number:

In Reference to: OP:E:EP:T:2

Date: OCT 18 1999

Employee Identification Number:

Legend:

Church A =
Corporation B =
Corporation C =
Committee M =
Congregation D =
Congregation E =

Directory P =
Plan X =

Dear :

This letter is in response to a letter dated July 26, 1999, as supplemented by a letter dated September 10, 1999, in which a ruling was requested on your behalf with respect to the applicability of section 414(e) of the Internal Revenue Code ("Code") to Plan X. Your authorized representative submitted the following facts and representations:

Corporation B is a nonstock and not-for profit corporation that is exempt from taxation under section 501(a) of the Code. It is an integrated, multi-institutional health care delivery system. It is listed in Directory P.

Congregation D was founded in 1858 in the United States. Corporation B helps Congregation D fulfill its health care mission. Other missions of Congregation D include academic and religious education, homes for the aged, parish ministry, foreign missions, and other social services. Congregation D is listed in Directory P.

Congregation D controls Corporation B through Corporation B's corporate membership. Members of Congregation D's governing board serve as Corporation B's controlling corporate members. The corporate membership of Corporation B consists of two classes of members. The

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"Class A" corporate members, who possess the primary corporate membership powers, are made up of the head of Congregation D (the General Superior) and members of Congregation D's governing board (the General Council). The "Class B" members consists of nine to thirteen individuals who are appointed by the Class A members and may be removed by Class A members with or without cause. The corporate members of Corporation B appoint and may remove the members of Corporation B's board of directors.

Congregation E is Congregation's D's civil law corporate identity. It is exempt from taxation under section 501(a) of the Code and is listed in Directory P. Its stated purpose is to own and maintain convents and to engage in all other activities of a religious congregation. Congregation E is under the ecclesiastical control and supervision of Church A. Congregation E has no corporate members, only a board of directors. The members of the board of directors consist solely of Congregation D's General Superior and the members of the General Council of Congregation D.

Corporation C is exempt from taxation under section 501(a) of the Code, sponsored by Congregation D, and listed in Directory P. Corporation C's stated purposes and philosophy are in accord with the health care ministry of Congregation D and the charitable works tradition of Church A. Corporation C has one corporate member, Corporation B. The powers of the corporate member are exercised by the board of directors of Corporation B. Corporation B, as the corporate member, has the power to appoint and remove Corporation C's board of directors.

Corporation B established Plan X, effective January 1, 1998, to provide retirement benefits for certain of its employees as well as other employers controlled by Congregation D. Currently, Corporation B, Congregation E and Corporation C are the participating employers. No for-profit employers participate in Plan X, and no individual may participate in Plan X based on service with a for-profit employer. Plan X is intended to meet the qualification requirements of section 401(a) of the Code. Plan X is administered by Committee M. Committee M consists of five members who are appointed by Corporation B's board of directors. The sole purpose of Committee M is the administration of Plan X.

Based on the foregoing facts and representations, you request a ruling that Plan X is a church plan within the meaning of section 414(e) of the Code.

Section 414(e)(1) of the Code 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 that is exempt from taxation under section 501 of the Code.

Section 414(e)(3)(A) of the Code provides that a plan, otherwise qualified, will qualify 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.

Section 414(e)(3)(B) of the Code defines "employee" to include a duly ordained, commissioned, or licensed minister of a church in the exercise of a ministry, regardless of the source of his or her compensation, and 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 that is exempt from tax under section 501 shall be deemed the employer of any individual included as an employee under section 414(e)(3)(B).

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 a convention or association of churches if the organization shares common religious bonds and convictions with that church or convention or association of churches.

To have or participate in a qualified church plan, an organization must establish that its employees are employees or deemed employees of a 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 and that the plan will be administered by an organization of the type described in section 414(e)(3)(A). If an organization's name appears in Directory P, that organization is considered to share common bonds and convictions with Church A, and therefore is considered to be associated with Church A for church plan purposes. Its employees are deemed to be employees of Church A.

The information submitted shows that Corporation B, Congregation E and Corporation C are entities that are listed in Directory P, exempt from tax under section 501(a) of the Code, and have common religious bonds with Church A. Therefore, under the principles of section 414(e)(3)(B), the employees of Corporation B, Congregation E and Corporation C are considered employees of Church A and Corporation B, Congregation E and Corporation C are considered associated with Church A for purposes of the church plan rules.

Having established that the employees of Corporation B, Congregation E and Corporation C are "church" employees, the remaining issue is whether Committee M is an

organization controlled by or associated with a church or convention or association of churches, the principal purpose or function of which is the administration or funding of a plan within the meaning of section 414(e)(3)(A) of the Code.

Because Committee M's sole function is the administration of Plan X, Committee M constitutes an organization the principal purpose or function of which is the administration or funding of a plan or program for the provision of retirement benefits for the employees of Corporation B, Congregation E and Corporation C. Therefore, Committee M is qualified as an organization described in section 414(e)(3)(A) of the Code.

Therefore, we conclude that Plan X is a church plan within the meaning of section 414(e) of the Code.

This letter expresses no opinion as to the qualified status of Plan X under section 401(a) of the Code. The determination as to whether a plan is qualified under section 401(a) is within the jurisdiction of the appropriate Key District Director's office of the Internal Revenue Service.

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.

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

Sincerely yours,

(signed) JOYCE E. FLOYD

Joyce E. Floyd
Chief, Employee Plans
Technical Branch 2

Enclosures:
Deleted Copy of this Letter
Notice of Intention to Disclose