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

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TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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Uniform Issue List No: 414.08-00

Legend:
Church
Congregation A

Congregation B

Congregation C

Congregation D

Congregation E

Congregation F

Congregation G

Congregation H

Corporation I

System J

Plan K
Committee
State L
State M
State N

Ladies and Gentlemen:

This is in response to a letter dated February 13, 2002, as supplemented by correspondence dated May 6, 2002, submitted on your behalf by your authorized representative, in which you request a private letter ruling that Plan K is a church plan within the meaning of §414(e) of the Internal Revenue Code (the Code).

The following facts and representations have been submitted:

Corporation I is a nonprofit corporation organized under the laws of State L. Corporation I was formed in to oversee System J, a regional health care system that was, at that time, sponsored by Congregations A and B. In Congregation C became a member of Corporation I. In May Congregations D, E and F became members of Corporation I, and in April Congregations G and H became members of Corporation I (Corporations A through H are herein collectively referred to as "the Congregations").

In fulfilling their health care missions within the Church, the Congregations established a number of hospitals and related health care organizations. As Congregations C, D, E, F, G and H became members of Corporation I, the various hospitals controlled by those Congregations also were merged with, and brought under the control of Corporation I.

Corporation I is involved in health care as an extension of the Church's healing ministry. Corporation I's formation and operation represents a decision by the Congregations to foster collaborative efforts, within their sponsorship of health care institutions, that are grounded in the traditions and values of the Church. Consistent with the beliefs of the Congregations, the missions and beliefs of Corporation I are: (i) the healing ministry of the Church as an essential part of the its mission in contemporary society; (ii) the collaboration with others who support Judeo-Christian values in developing creative responses to health care needs; and (iii) the values and principles promulgated for church health care institutions and services by church leaders in the United States of America.

The ultimate responsibility for the direction and decisions of Corporation I's health care ministry resides with its corporate members, each of whom holds a religious leadership position within one of the Congregations. Pursuant to Corporation I's Restated Articles of Incorporation, Congregations A, B and C each appoint two corporate members. Congregations D, E, F and G each appoint one corporate member, and Congregation H has chosen not to appoint a member.

The head of the particular Congregation, or a designee, is appointed to serve as a corporate member. The Congregations that receive additional corporate member positions select the remaining members from that Congregation's governing counsel or from its general membership. Each of the corporate members of Corporation I share equal voting rights. The members also have certain reserved powers over Corporation I, including the power to approve any change or amendment of its philosophy and mission. In addition, pursuant to Corporation I's Restated Articles of Incorporation and Amended and Restated Bylaws, the members elect its Board of Directors. The Board of Directors also retains certain powers and authority over the corporate activities of Corporation I and its member hospitals.

Corporation I operates and controls approximately general acute care hospitals located in States L, M and N. Most of the hospitals are operated directly by Corporation I. A few are operated through corporations of which Corporation I is the sole member. As the sole member, Corporation I, acting through its Board of Directors, has the authority to appoint and remove the directors of these corporations. Accordingly, the Congregations can and do effectively direct action taken by Corporation I, and by those corporations of which Corporation I is the sole member.

Plan K was established on January 1, , for the benefit of employees whose employment terms are governed by collective bargaining agreements, and those employees' beneficiaries. Plan K allows Corporation I greater flexibility to address the needs of bargaining unit employees, and the requirements of

collective bargaining agreements to which Corporation I is a party. Plan K is a defined benefit plan that is qualified under §401(a) of the Code. Although participation in Plan K is limited to employees who are part of a collective bargaining unit and their beneficiaries, it is not a plan that is intended to meet the requirements of §413(a) of the Code.

Plan K is administered by a committee whose members are appointed, and may be removed, by Corporation I's Board of Directors. The Committee's sole purpose is the administration of Plan K and other qualified retirement plans maintained on behalf of employees of Corporation I and their beneficiaries.

The Congregations, Corporation I and the hospitals managed by Corporation I are all organizations listed in the official directory of the Church in the United States. The Internal Revenue Service (IRS) has determined that any organization listed or appearing in the Church's official directory is an organization described in §501(c)(3) of the Code, that is exempt from tax under §501(a).

Based on the foregoing, you are requesting a ruling that Corporation I's Pension Plan is, and has been since January 1, , a church plan within the meaning of Code §414(e).

To qualify under §401(a) of the Code, an employee's plan generally must, among other requirements, meet the minimum participation standards of §410 and the minimum vesting standards of §411. Qualified pension plans also must meet the minimum funding standards of §412. Each of these sections, however, contains an exception for a "church plan" as defined in §414(e), unless an election has been made in accordance with §410(d). See, §§410(c)(1)(B), 411(e)(1)(B) and 412(h)(4).

Further, only the employer or administrator of a plan subject to ERISA is required to file Form 5500 or Form 5500C (Annual Return/Report of Employee Benefit Plan). Church pension benefit plans, and various welfare benefit plans that are church plans are excused from the filing. See Announcement 82-146,1982-47 I.R.B. 53, and sections 1 and 2 of the instructions to Form 5500.

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 §501.

Section 414(e)(3)(A) of the Code provides that a plan 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, §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 his or her 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 which is exempt from tax under §501 shall be deemed the employer of any individual included as an employee under subparagraph (B) of §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 that is not itself a church or convention or association of churches to have a church plan under §414(e) of the Code, that organization must establish that its employees are employees or deemed employees of the church or convention or association of churches under §414(e)(3)(B). Employees of any organization maintaining a plan are considered to be church employees if the organization: (1) is exempt from tax under §501 of the Code; (2) is controlled by or associated with a church or convention or association of churches; and (3) provides for administration or funding (or both) of the plan by an organization described in §414(e)(3)(A) of the Code.

In this case the Congregations are religious communities organized under the auspices of the Church. In furtherance of Church teachings and tenets, the Congregations, Corporation I and the Hospitals have a long history of involvement in caring for the health needs of the sick and poor. In fulfilling the Congregations' health care missions within the Church, Corporation I oversees System J, co-sponsored by the Congregations. As such, Corporation I is committed to involvement in health care as a extension of the Church's healing ministry, and represents a decision by the Congregations to foster collaborative efforts, within their sponsorship of health care institutions, that are grounded in the traditions and values of the Church.

In addition, the Congregations, Corporation I and the Hospitals are all organizations listed in the official directory of the Church in the United States. The IRS has determined that any organization listed or appearing in the Church's official directory is an organization described in §501(c)(3) of the Code, that is exempt from tax under §501(a). Organizations which collaborate in furthering the Church's teachings and tenets, and which are listed in the Church's official directory also are considered to be associated with, and share common religious bonds with the Church. Under the principles of §414(e)(3)(B) of the Code, the employees of Corporation I and the Hospitals are considered employees of organizations that are exempt from tax under §501 and are associated with a church or convention or association of churches.

Therefore, in view of the stated purposes of the Congregations, Corporation I and the Hospitals, their actual activities, and their recognized status within the Church as evidenced by their listing in the Church's official directory, it is concluded that the employees of Corporation I and the Hospitals are deemed employees of the Church under §414(e)(3)(B) of the Code and for purposes of the church plan rules. Additionally, under the principles of §414(e)(3)(c) of the Code, the Church is deemed the employer of employees of Corporation I and the Hospitals, and therefore is treated as the employer of those organizations' employees for purposes of the church plan rules of §414(e) of the code.

Having established that the employees of the Congregations, Corporation I and the Hospitals are deemed to be Church employees, the remaining issue is whether the administrative committee of Plan K 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 §414(e)(3)(A) of the code.

In this case Plan K is administered by its Committee whose members are appointed, and may be removed, by Corporation I's Board of Directors, which, in turn is appointed by the Congregations. The sole purpose of the Committee is the administration of Plan K and other qualified retirement plans maintained on behalf of employees of Corporation I. We conclude, therefore, that the principal purpose of the Committee is the administration or funding of a plan or program for the provision of retirement benefits for employees that are deemed to be employees of a church or convention or association of churches. It is further concluded that Plan K as administered by the Committee, is a plan administered by an organization described in §414(e)(3)(A) of the Code.

Based upon the foregoing, it is ruled that Plan K is a church plan within the meaning of §414(e) of the Code, and has been a church plan since its effective date of January 1,

This letter expresses no opinion as to whether Plan K is, or continues to be a qualified plan under §401(a) of the Code. The determination as to whether a plan remains qualified under §401(a) is within the jurisdiction of the Employee Plans Determinations office in Cincinnati, Ohio.

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.

A copy of this ruling is being sent to your authorized representative pursuant to a power of attorney on file in this office. Should you have any questions pertaining to this ruling, you may contact of this office at

Sincerely yours,

Donzell Littlejohn, Acting Manager
Employee Plans Technical Group 1

Enclosures
Ruling Letter
Deleted Version of the Ruling Letter
Copy of Notice of Intention to Disclose, Notice 437

cc: