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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

200243053

Uniform Issue List: 414.08-00

JUL 31 2002

Attn:

T:EP:RA:T1

Church K.....

Corporation A.....

Congregation.....

Corporation B.....

Corporation C.....

Corporation D.....

Clinic.....

State M.....

Plan X.....

Ladies and Gentlemen:

This is in response to a letter dated June 6, 2001, as supplemented by additional correspondence dated April 16, 2002, and July 16, 2002, in which your authorized representative requested a ruling on your behalf under section 414(e) of the Internal Revenue Code (the "Code"). You submitted the following facts and representations in support of your request.

Corporation A is a non-stock membership corporation organized under the laws of State M as a non-profit corporation. Under Article 2 of its Bylaws, Corporation A is organized for purposes of maintaining and operating facilities for health care, caring for the needs of all human beings, and providing social services in accordance with the charitable works in the tradition of Church K. Article 2 further provides that all activities and works shall be carried out in accordance with the philosophy and mission of Corporation B. Addendum 1, Article 2 of Corporation A's Bylaws provides that Corporation A exists to witness the love of God through compassionate and competent health services for all, especially the poor and the powerless, and to promote the physical, emotional and spiritual health and well-being for all persons as expressed by the traditions of the Congregation.

Corporation A is listed in the official directory of Church K. The Internal Revenue Service has determined that an organization listed in the Church K Directory is exempt from tax under Code section 501(a) as an organization described in section 501(c)(3).

The Congregation is a community of religious individuals who seek God through a life of prayer and work. The Congregation is an unincorporated Church K congregation whose members carry out the needs of Church K, including the provision of health care services. The Congregation is a 501(c)(3) organization and is listed in the official directory of Church K.

Corporation B is also a non-stock membership corporation organized as a non-profit organization under the laws of State M. Corporation B, the corporate entity through which the Congregation operates, was established by the Congregation to carry out the mission of Church K. Corporation B is used by the Congregation to provide health care to the people of State M. Corporation B is exempt from tax under Code section 501(a) as an organization described in section 501(c)(3) and is listed in the official directory of Church K.

Corporation C was established by Corporation B as a health care delivery system designed to further the health care mission of Corporation B and to implement Corporation B's healthcare programs. Corporation C is a non-stock membership corporation established as a non-profit corporation under the laws of State M. Corporation C is exempt from tax under Code sections 501(a) and 501(c)(3) and is listed in the official directory of Church K. Corporation C's mission statement provides that it is a Church K organization that provides a continuum of services and is entrusted with furthering the health care mission of the Congregation.

Corporation D was created by Clinic, a for profit limited partnership, and Corporation A pursuant to an agreement that was designed to integrate the operations of the Clinic in order to create a larger, regional health care network. Corporation A's members are Corporation D and Corporation C, and Corporations C and D appoint Corporation A's Board of Directors, within the parameters set forth in Corporation A's Bylaws. No amendments relating to Corporation A's mission or Church K identity may be made without approval of Corporation A's Board of Directors and Corporation C. Corporation D has been determined by the Service to be an organization exempt from tax under Code sections 501(c)(3) and 501(a).

Corporation A maintains Plan X, a defined benefit plan established for Corporation A's employees. No other employers or employees participate in Plan X. Plan X is administered by an investment committee (the "Committee") established by Corporation A. The principal purpose and function of the Committee is the administration or funding of Plan X. Corporation A's Board of Directors appoints the members of the Committee.

Based on the above facts and representations, you request a ruling that Plan X constitutes a church plan as described in Code section 414(e).

To qualify under Code section 401(a), an employees' plan must meet certain requirements, including the minimum participation rules under section 410 and the minimum vesting requirements under section 411. A qualified plan may be subject to an excise tax under section 4971 if it does not comply with minimum funding standards under section 412. However, a church plan described in section 414(e) is excepted from these requirements unless an election is made in accordance with section 410(d) to have such requirements apply. Where no election

is made under section 410(d), a church plan described in section 414(e) shall be treated as a qualified plan for purposes of section 401(a) if such plan meets the participation, vesting and funding requirements of the Code as in effect on September 1, 1974.

Code section 414(e)(1) 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.

Code section 414(e)(3)(A) 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.

Code section 414(e)(3)(B) provides that an employee of a church or 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, and which is controlled by or associated with a church or a convention or association of churches.

Code section 414(e)(3)(C) 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).

Code section 414(e)(3)(D) 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 Code section 414(e), that 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). Employees of such an organization maintaining a plan are considered to be a church employee if the organization: (1) is exempt from tax under section 501, (2) is controlled by or associated with a church or convention or association of churches, and (3) provides for administration or funding of the plan by an organization described in section 414(e)(3)(A).

In this case, Corporation A is listed in Church K's official directory. The Service has ruled that any organization listed or appearing in Church K's official directory is an organization described in Code section 501(c)(3) and exempt from tax under section 501(a). The purpose of Corporation A is to carry out the mission of Corporation B, the corporate entity through which the Congregation operates. Because Corporation A is listed in Church K's official directory, it shares religious bonds and convictions with Church K, and is therefore considered to be "associated" with Church K under the church plan rules. Accordingly, because the employees of Corporation A are employed by an organization that is exempt from tax under Code section 501(a) and associated with a church or convention or association of churches (i.e., Church K), these employees are deemed to be Church K employees under section 414(e)(3)(B).

Conversely, Church K is considered to be the employer of the employees of Corporation A under section 414(e)(3)(C).

In addition, Plan X is administered by a Committee appointed and removed by Corporation A's Board of Directors. The principal purpose or function of the Committee is the administration or funding Plan X. Thus, the Committee is associated with or controlled by a church or a convention or association of churches. Accordingly, we rule that, with respect to your ruling request, Plan X constitutes a church plan described under Code section 414(e).

This ruling assumes that as soon as administratively feasible, the provisions of Plan X will be amended to clarify that the Committee and not Corporation A, is responsible for the administration or funding or the Plan. This letter is conditioned on only the employees of Corporation A, as described in this ruling request, participating in Plan X and not the employees of any other organization.

This letter expresses no opinion as to whether Plan X satisfies the requirements for qualification under Code section 401(a). The determination as to whether a plan is qualified under section 401(a) is within the jurisdiction of the Manager, Employee Plans.

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

A copy of this ruling has been sent to your authorized representative in accordance with a power of attorney on file in this office. Should you have any questions or concerns, please contact .

Sincerely yours,

Andrew E. Zuckerman, Manager
Employee Plans Technical Group 1

cc:

Enclosures:
Copy of deleted letter
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