

INTERNAL REVENUE SERVICE 200241051

JULY 16, 2002
T. EP. RA. TS

UIL No: 403.00-00

LEGEND:

Entity A
Directory B
Church C
Corporation M
Committee MM
Plan X

Dear ' :

This letter is in response to your ruling request dated October 10, 2000, concerning whether Plan X qualifies as a church plan under section 414(e) of the Internal Revenue Code.

The following facts and representations have been submitted:

Entity A is a Church C congregation of approximately \ who comprise the United States Province of Entity A.

Corporation M was incorporated in and is sponsored by Entity A. Corporation M is the parent organization of a number of subsidiaries and is dedicated to the empowerment of people, the transformation of consciousness and of systems providing health, shelter, and spiritual development which furthers the commitment of Entity A. Subsidiaries of Corporation M consist of more than organizations dedicated to providing health, shelter and spiritual development services, of which organizations participate in Plan X.

Corporation M and its subsidiaries employ approximately individuals. Corporation M is listed in Directory B of Church C. Accordingly, it is tax exempt under section 501(a) of the Code. All of the organizations that participate in Plan X are tax-exempt under section 501(c)(3) of the Code and are listed in Directory B of Church C.

Entity A has organized Corporation M on a four-tier framework in which control is held through board representation. The Sponsorship Member Board of Corporation M, a group formed by the Provincial Council of Entity A, elects the Board of Directors of Corporation M. The Sponsorship Member Board is comprised of Entity A members. The Sponsorship Member Board may remove with or without cause any and all of the directors of Corporation M or any of its subsidiaries' boards as deemed appropriate.

The Board of Directors of Corporation M shall consist of not less than and not more than persons of whom at least shall be members of Entity A. Other board members shall have an awareness and commitment to the mission and philosophy of Entity A. The Board of Directors of Corporation M elects a Committee of the Board to administer Corporation M's retirement plans, of which Plan X is one.

Plan X is a section 403(b) defined contribution retirement plan sponsored by Corporation M for the benefit of the employees of Corporation M and 26 of its subsidiary organizations.

The daily administration of Plan X is guided by Committee MM. The primary purpose of Committee MM is the administration of Plan X and other retirement plans sponsored by Corporation M. The Board of Directors of Corporation M elects members of Committee MM. The Sponsorship Member Board of Corporation M in turn, elects the Board of Directors of Corporation M.

Based on the foregoing facts and representations, you request a ruling that Plan X is a church plan within the meaning of Code section 414(e)(3)(A).

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 which 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, 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 a 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 qualified church plan, 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 and that the plan will be administered by an organization of the type described in section 414(e)(3)(A).

Corporation M and its subsidiary organizations that participate in Plan X are listed in Directory B. The Internal Revenue Service has determined that any organization listed in Directory B is an organization described in section 501(c)(3) of the Code, and is exempt from tax under section 501(a) of the Code. An organization listed in Directory B shares common religious bonds and convictions with Church C and is considered associated with Church C within the meaning of section 414(e)(3)(D) of the Code. Therefore, under the principles of section 414(e)(3)(B) of the Code, an employee of Corporation M is considered an employee of Church C for purposes of the church plan rules. Additionally, under the principles of section 414(e)(3)(C), Church C is treated as the employer of any employee who is employed by Corporation M.

However, an organization must also establish that its retirement 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.

It has been submitted that Plan X is administered by an organization of the type described in section 414(e)(3)(A) of the Code. Specifically, the primary purpose of Committee MM is the administration of Plan X and other retirement plans sponsored by Corporation M. The Board of Directors of Corporation M elects members of Committee MM. The Sponsorship Member Board of Corporation M, a group formed by the Provincial Council of Entity A, a Church C congregation, in turn, elects the Board of Directors of Corporation M.

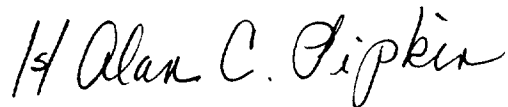
Accordingly, in regard to your ruling request, we rule that Plan X is a church plan within the meaning of Code section 414(e)(3)(A).

This letter expresses no opinion as to whether Plan X satisfies the requirements to be an arrangement described under section 403(b) of the Code.

This letter 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 as precedent.

Pursuant to the power of attorney on file with this office, a copy of this ruling letter is being sent to your authorized representatives. Should you have any concerns with this letter, please contact

Sincerely yours,

A handwritten signature in cursive script that reads "Alan C. Pipken". The signature is written in black ink and is positioned above the typed name and title.

Alan C. Pipken
Employee Plans Technical Group 4
Tax Exempt and Government
Entities Division

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