



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

201303024

October 22, 2012

U.I.L 414.08-00

XXX
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T:EP:RA:T3

Attention: XXX

LEGEND:

Association A	=	XXX
Association B	=	XXX
Association C	=	XXX
Association D	=	XXX
Religion Z	=	XXX
State X	=	XXX
Group H	=	XXX
Group I	=	XXX
Leader K	=	XXX
Directory M	=	XXX
Plan 1	=	XXX

Dear XXX:

This letter is in response to your request dated June 18, 2007, as supplemented by correspondence dated January 19, 2012, January 31, 2012 and June 29, 2012, submitted on your behalf by your authorized representative regarding the church plan status of Plan 1 within the meaning of section 414(e) of the Internal Revenue Code (Code).

The following facts and representations have been submitted under penalty of perjury in support of the ruling requested.

Association A is an organization described in Section 501(c)(3) of the Code that is tax-exempt under section 501(a) of the Code. Association A is listed in Directory M of Religion Z.

Association A was founded by Group H as a fourteen bed hospital on December 4, 1925. Group H is a community of Religion Z in State X. As a part of its health ministry, Group H has sponsored five hospitals in State X over the last 125 years, one of which was Association A. In 2011, Association A began using the name Association B.

In 1888, Group I founded Association C as a ten bed hospital at the invitation of Leader K. In 1994, Association C took control of Association A and became its sole member. Association C is a member of and controlled by Association D. Therefore, Association D is in control of Association A indirectly through its control of Association C.

Association D was created in 1996 to carry out the health care ministry of Religion Z and the active participating congregations that sponsor Association D. Religion Z gives high priority to healing ministries as a vital part of its mission. Thus, Religion Z has placed important emphasis on the provision of health care services.

The mission of Association D is to nurture the healing ministry of Religion Z by emphasizing human dignity and social justice while moving toward the creation of healthier communities. Association D ensures the creation of healthier communities in accordance with Religion Z beliefs through research and the development of new ministries that integrate health education, pastoral and social services, and by advocating systemic changes within the community with a specific concern for persons who are poor, alienated, and whose needs are underserved.

The management of the affairs of Association D is controlled by the Association D Board of Trustees (the Board). Two of the five members of the Board are members of the active sponsoring congregations and are appointed by the

members of Association D Sponsorship Trustees. The Sponsorship Trustees approve the election of the remaining elected trustees. One half of the Board's elected membership must be members of religious institutions of Religion Z and an equal number must be lay persons. A majority of the Board shall at all times be members of Religion Z.

Association D is officially recognized by Religion Z as a corporate person within the meaning Religion Z's code of law. A Religion Z corporate person is a group of persons incorporated by Religion Z whose purpose is congruent with the mission of Religion Z. A Religion Z corporate person's purpose is for the common good of Religion Z, its property is Religion Z property, and it can speak on behalf of Religion Z at large.

Association D's health care mission is carried out through various health care facilities located in 18 states. The health care facilities of Association D are managed and directed according to the ethical and religious directives for Religion Z facilities.

Association A is a subsidiary of Association C. Association C is wholly controlled by Association D. Both of these organizations were established to help carry out and fulfill Association D's health care mission. Specifically, the mission and organizational purpose of Association A and Association C coincide with Association D in that both organizations seek to nurture the healing ministry of Religion Z by emphasizing human dignity and social justice to move towards the creation of healthier communities.

Association A's and Association C's health care missions are managed and directed according to the ethical and religious directives for Religion Z health facilities. The management of the affairs of Association A and Association C are supervised and controlled by the Board. Association C and Association D are exempt from taxation under section 501(c)(3) of the Code based upon their inclusion in Directory M of Religion Z.

On December 31, 1964, Association A established Plan 1 for its lay employees. Initially, Plan 1 allowed for the participation by employees of all of their sponsored hospitals. By 1985, all of the other associated hospitals, except Association A, were removed from participation in Plan 1. Plan 1 currently covers only full-time administrative employees of Association A. None of the eligible participants are employed in connection with one or more unrelated trades or businesses within the meaning of section 513 of the Code. Association A has not made an election under section 410(d) of the Code for Plan 1.

Plan 1 is operated and administered under the authority of the Benefits Committee of which all members are appointed by the Board. The sole function of the Benefits Committee is to administer Plan 1 and other retirement plans

maintained by Association D. The Benefits Committee performs all acts necessary for the administration of Plan 1. Pursuant to Section 19 of Plan 1, the Benefits Committee has the exclusive right to interpret Plan 1 and to decide any matters in connection with the administration of Plan 1. Further, according to Section 19 of Plan 1, Association A cedes authority to the Benefits Committee to make all determinations pertaining to Plan 1 on its behalf.

In accordance with Revenue Procedure 2011-44, Notice to Employees with reference to Plan 1 was provided on January 19, 2012. This notice explained to participants of Plan 1 the consequences of church plan status.

Based on the foregoing, you request a ruling that Plan 1 is and has been since its inception, a church plan within the meaning of section 414(e) 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 a convention or association of churches which is exempt from taxation under section 501 of the Code.

Section 414(e) was added to the Code by section 1015 of ERISA. Section 1017(e) of ERISA provided that section 414(e) applied as of the date of ERISA's enactment. However, section 414(e) was subsequently amended by section 407(b) of the Multiemployer Pension Plan Amendments Act of 1980, Pub. Law 96-364, to provide that section 414(e) was effective as of January 1, 1974.

Section 414(e)(2) of the Code provides, in part, that the term "church plan" does not include a plan that is established and maintained primarily for the benefit of employees (or their beneficiaries) of such church or convention or association of churches who are employed in connection with one or more unrelated trades or businesses (within the meaning of section 513 of the Code); or if less than substantially all of the individuals included in the plan are individuals described in section 414(e)(1) of the Code or section 414(e)(3)(B) of the Code (or their beneficiaries).

Section 414(e)(3)(A) of the Code provides that a plan established and maintained for its employees (or their beneficiaries) by a church or a convention or association of churches includes a plan 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 generally defines "employee" of a church or a convention or association of churches 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 section 501 of the Code shall be deemed the employer of any individual included as an employee under subparagraph (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 it shares common religious bonds and convictions with that church or convention or association of churches.

Revenue Procedure 2011-44, 2011-39 I.R.B. 446 supplements the procedures for requesting a letter ruling under section 414(e) of the Code relating to church plans. The revenue procedure: (1) requires that plan participants and other interested persons receive a notice in connection with a letter ruling request under section 414(e) of the Code for a qualified plan; (2) requires that a copy of the notice be submitted to the Internal Revenue Service (IRS) as part of the ruling request; and, (3) provides procedures for the IRS to receive and consider comments relating to the ruling request from interested persons.

In order for an organization that is not itself a church or convention or association of churches to have a qualified church plan, it 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 control by or affiliation with the church or convention or association of churches. Employees of any organization maintaining a plan are considered to be church employees if the organization: (1) is exempt from tax under section 501 of the Code; and, (2) is controlled by or associated with a church or convention or association of churches. In addition, in order to be a church plan, the administration or funding (or both) of the plan must be 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 or funding of the plan and must also be controlled by or associated with a church or convention or association of churches.

In view of the common religious bonds between Association A and Religion Z, the inclusion of Association A in Directory M of Religion Z, and the indirect control of Association A by Religion Z through Association C and Association D, we conclude that Association A is associated with a church or convention or association of churches within the meaning of section 414(e)(3)(D) of the Code, that the employees of Association A meet the definition of employee under section 414(e)(3)(B) of the Code, and that they are deemed to be employees of a

church or a convention or association of churches by virtue of being employees of an organization 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.

The administrative control of Plan 1 is vested in the Benefits Committee. The Benefits Committee is controlled by and shares common religious bonds with Religion Z through its control by the Board. The sole function of the Benefits Committee is to administer Plan 1 and other retirement plans of Association D. The Benefits Committee performs all acts necessary for the administration of Plan 1. Thus, the administration of Plan 1 satisfies the requirements regarding church plan administration under section 414(e)(3)(A) of the Code.

Based on the foregoing facts and representations, we conclude that Plan 1 is a church plan within the meaning of Code section 414(e), and has been a church plan within the meaning of section 414(e) of the Code retroactive to January 1, 1974.

This letter expresses no opinion as to whether Plan 1 satisfies the requirements of section 401(a) 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 a power of attorney on file with this office, a copy of this letter ruling is being sent to your authorized representative. Should you have any concerns regarding this letter, please contact XXX XXX, SE:T:EP:RA:T2, at (XXX) XXX-XXXX.

Sincerely yours,



Donzell Littlejohn, Manager
Employee Plans Technical Group 2

Enclosures:

Deleted copy of ruling letter
Notice of Intention to Disclose

CC:

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