



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

201339004

JUL 03 2013

U.I.L 414.08-00

T.E.P. RAITY

Attn:

Legend:

School A:

Congregation S:

State B:

Church M:

Authority A:

Authority B:

Authority C:

Diocese H:

Office A:

Province P:

City R:

Plan X:

Plan Y:

Dear :

This is in response to your letters dated May 7, 2007, January 6, 2010, May 7, 2012, December 12, 2012, and May 10, 2013, submitted on your behalf by your authorized representative, in which you request a ruling that Plans X and Y are church plans described in section 414(e) of the Internal Revenue Code of 1986, as amended (the "Code").

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

School A is a not-for-profit school founded by Congregation S in 19 . . . School A was originally incorporated on December 1, 19. . . and is maintained as a domestic nonprofit corporation under the laws of State B. School A was established as a Church M school for girls in kindergarten through grade 12. School A is committed to promoting a Christian environment and fostering a learning experience that provides students with an intellectual, physical, aesthetic, spiritual, and moral education in such Christian environment. School A's goal is to provide students with a spiritual foundation for the development of Christian values. This mission is affirmed in the By-Laws of School A, which charges School A's officers with the obligation to ensure that School A maintains a Church M identity and that School A's officers and students live out the charism of Congregation S. School A is listed in The Official Church M Directory and is an organization described in section 501(c)(3) of the Code and exempt from tax under section 501(a) of the Code.

School A is led by the Head of School A, who oversees School A's administration as well as the educational and religious programs at School A. The Head of School A is selected by and reports to the 19-person Board of Directors (the "Board of Directors"), which is comprised of persons within Congregation S. The Board of Directors is ultimately controlled by and under the authority of the Members of School A (the "Members"). The Members approve the nomination of the Head of School A. Also, 4 of the 19 directors are selected and appointed by the Members. The other 15 directors are nominated and elected by the Board of Directors, subject to the Members' approval of the nominees. The Board of Directors oversees School A's finances and non-religious, non-academic operations, and reports to the Members.

The Members consist of four sisters belonging to Province P, and one priest of Congregation S. The four sisters hold all the Member offices with Authority A, who resides in State B, being the President of the Members. Authority A reports to and is under the direct authority of Authority B which is headquartered in City R. Authority B is led by Authority C, who retains certain powers as defined by Canon Law. School A is required to abide by Canon Law, and the rules and regulations of Church M, meaning that all of School A's teachings must be in line with Church M doctrine. The Bishop of

Diocese H, a part of the Church M in State B, controls the teaching of religion and matters of faith at School A through Office A.

School A has established and maintains two benefit plans for the exclusive benefit of eligible employees of School A. Plan X, effective January 1, 19 is a tax-sheltered annuity arrangement that permits both employee elective deferrals and employer matching contributions and is intended to meet the requirements of section 403(b) of the Code. Plan Y, effective January 1, 19 is a health and welfare arrangement. School A provides fully insured medical, dental, group long term disability, and group life and accidental death and dismemberment coverage to all eligible employees under Plan Y.

An administrative committee (the "Committee") for Plans X and Y was informally established and has been formally established and reaffirmed on December 11, 20 The Committee is comprised of the Head of School A, the Business Manager of School A, and the Human Resources Manager of School A. The principal purpose of the Committee is to administer Plans X and Y. The Committee is appointed by and reports to School A's Officers and Board of Directors.

The School has never made a Code Section 410(d) election on behalf of either of the Plans and no statement to this effect has ever been filed with the IRS.

In accordance with Revenue Procedure 2011-44, 2011-39 IRB 446, Notice to Employees with reference to Plan X was provided on April 26, 20 This notice explained to participants of Plan X the consequences of church plan status. Plan Y is a health and welfare arrangement and is not subject to Revenue Procedure 2011-44.

Based on your submission and the above facts and representations, you request a ruling that Plan X and Plan Y are church plans under 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 by a convention or association of churches which is exempt from taxation under section 501 of the Code.

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 by 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 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 the organization 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 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 a 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 a 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 School A and Church M, the inclusion of School A in The Official Church M Directory, and the indirect control of School A by Church M through Congregation S and Province P, we conclude that School 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 School 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 X and Plan Y is vested in the Committee. The Committee is controlled by and shares common religious bonds with Church M through its control by School A's Officers. The sole purpose of the Committee is to have exclusive authority to control and manage the operation and administration of Plan X and Plan Y. Thus, the administration of Plan X and Plan Y satisfies the requirements regarding church plan administration under section 414(e)(3)(A) of the Code.

Accordingly, in regard to your ruling request, we conclude that Plan X and Plan Y are church plans as defined in section 414(e) of the Code.

This letter expresses no opinion as to whether Plan X requirements for qualification under section 403(b) of the Code or Plan Y satisfies the requirements of section 419 of the Code.

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.

No opinion is expressed as to the tax treatment of the transaction described herein under the provisions of any other section of either the Code or regulations which may be applicable thereto.

Pursuant to a power of attorney on file with this office, a copy of this letter ruling is being sent to your authorized representative.

If you have any questions regarding this letter, please contact
Please address all correspondence to SE:T:EP:RA:T3.

Sincerely yours,



Laura B. Warshawsky, Manager
Employee Plans Technical Group 3

Enclosures:

Deleted Copy of Ruling Letter
Notice of Intention to Disclose

cc: