

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

Number: **202001008**  
Release Date: 1/3/2020  
Index Number: 414.08-00

Third Party Communication: None  
Date of Communication: Not Applicable

Person To Contact:  
, ID No.  
Telephone Number:

Refer Reply To:  
CC:TEGE:EB:QP1  
PLR-108981-19  
Date:  
October 03, 2019

Legend

- Entity A =
- Denomination A =
- Religion =
- State A =
- Church =
- Committee P =
- Plan X =
- Date 1 =
- Date 2 =
- Date 3 =
- Date 4 =
- Program =

Dear :

This letter responds to the letter dated April 12, 2019, as supplemented by correspondence dated August 2, 2019, and August 26, 2019, submitted on your behalf by your authorized representative, regarding the status of Plan X as a church plan within the meaning of section 414(e) of the Internal Revenue Code.

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

Entity A is an organization with the purpose of caring for developmentally disabled children and adults in accordance with Denomination A doctrines. Since its founding on Date 1, Entity A has provided an array of services that include housing, day programs,

employment support, faith support, camps and educational support. In addition to the primary goal of education in Denomination A doctrines, the ultimate aim is to develop disabled individuals' potential, to increase their knowledge and skills, and to enhance their ability to deal with their environment.

Entity A is a nonprofit, nonstock State A corporation created on Date 1. It has been recognized as a tax-exempt organization under section 501(c)(3) since Date 2. Entity A is a member corporation under State A law, with members having specified rights including the right to vote in annual director elections. Membership in Entity A is limited to communicant members of a congregation affiliated with Church and certain other Denomination A churches. Certain other individuals or Denomination A organizations which are interested in the work of Entity A are allowed to attend meetings for Entity A, but do not have a right to vote.

Entity A has a board of directors that ranges in number from 9 to 20. At least 40 percent of the sitting directors must be members of Church. The remaining directors must be Entity A members from other Denomination A branches or other denominations of Religion.

Church has a formal program (Program) for related organizations that operate ministry programs that are independent of Church but foster the mission and ministry of Church. Under Program, organizations must apply to Church to be certified as related organizations. To become certified, organizations must show that they identify with the mission and ministry of Church (but remain independent of Church's constitutional and legal structure); respect and not act contrary to the doctrine and practice of Church as set forth in Church's constitution and applicable resolutions; foster the mission and ministry of Church and engage in program activity that is harmonious with the programs of Church; provide for appropriate Church representation on its governing boards; and sign an agreement by which the organization agrees to comply with all applicable bylaws and policies of Church. Once an organization becomes a related organization under Program, it can issue calls for ordained and commissioned ministers on the Church's roster, use the Church logo, apply for certain loans, seek grants, and participate in Church's health plan and Church's group purchasing agreement. Entity A has been certified as a related organization under Program since Date 3.

In addition to being certified under Program, Entity A is able to call certain religious officials from Church as employees. Entity A currently has 8 Church officials that were called to their roles in Entity A, including Entity A's Vice President of Religious Life and Church Relations.

Entity A adopted Plan X, a defined benefit pension plan, effective as of Date 4. Entity A represents that Plan X is a qualified plan under section 401(a). Entity A has not made an election for Plan X under section 410(d).

All of the eligible participants in Plan X are employed by Entity A. None of the eligible participants in Plan X include employees of for-profit entities, and none of the eligible participants in Plan X are employed in connection with one or more unrelated trades or businesses within the meaning of section 513.

A notice to interested persons regarding Plan X was provided in accordance with Revenue Procedure 2011-44, 2011-39 I.R.B. 446. This notice explained the consequences of church plan status.

The bylaws of Entity A name Committee P as the administrator of Plan X. The bylaws further state that Committee P must consist of Entity A's Treasurer, Chairman and CEO, and one to three directors appointed at the discretion of the Chairman of the Board. The bylaws state that the sole purpose of Committee P is to determine and administer the benefits of Plan X, manage the funds available for investment in a prudent manner, and take such steps as are necessary to maintain Plan X as a qualified plan. Committee P meets regularly and responds directly to Entity A's Board of Directors during Directors' meetings.

Entity A is requesting a private letter ruling that Plan X is a church plan under section 414(e).

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 a convention or association of churches which is exempt from taxation under section 501.

Section 414(e)(2) 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); or if less than substantially all of the individuals included in the plan are individuals described in section 414(e)(1) or section 414(e)(3)(B) (or their beneficiaries).

Section 414(e)(3)(A) 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. See *Advocate Health Care Network v. Stapleton*, 137 S. Ct. 1652 (2017), holding that a plan that is maintained by an organization described in section 414(e)(3)(A) may be a church plan under section 414(e) even if it was not established by a church or a convention or association of churches.

Section 414(e)(3)(B) 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, and which is controlled by or associated with a church or a convention or association of churches.

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).

Section 414(e)(3)(D) 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 IRB 446, supplements the procedures for requesting a letter ruling under section 414(e) 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) 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) by virtue of the organization's control by or association 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; 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). To be described in section 414(e)(3)(A), 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.

With respect to your ruling request, Entity A is a non-profit corporation that is exempt from federal income tax under section 501(a) as an organization described in section 501(c)(3). The primary purpose of Entity A is to provide an array of services that include housing, day programs, employment support, faith support, camps and education in the Denomination A doctrines. Entity A has been certified as a related organization under Program by Church, a Denomination A church, since Date 3, which

allows it to issue calls for ordained and commissioned ministers on the Church's roster, use the Church logo, apply for certain loans, seek grants, and participate in Church's health plan and Church's group purchasing agreement. Entity A regularly calls certain members of Church to support certain roles in its administration. Entity A is governed by a Board of Directors; at least 40 percent of the Board has to consist of members of Church.

You represent that none of the eligible participants in Plan X are employed in connection with a for-profit entity or one or more unrelated trades or businesses of Entity A within the meaning of section 513.

Based on these facts, we conclude that Entity A is associated with a church or convention or association of churches for purposes of section 414(e). We further conclude that the employees of Entity A 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 and which is controlled by or associated with a church or a convention or association of churches.

You have represented that Committee P is the plan administrator of Plan X, and its sole purpose is to administer the benefits of Plan X, manage the funds available for investment in a prudent manner, and take such steps as are necessary to maintain Plan X as a qualified plan. Committee P consists of the Treasurer, President and CEO of Entity A, as well as one to three directors appointed by the Chairman of the Board of Entity A. Committee P responds directly to Entity A's Board of Directors during Directors' meetings.

We thus conclude that Committee P is controlled by or associated with Church. Accordingly, Plan X is maintained by an organization that is controlled by or associated with a church or a convention or association of churches, the principal purpose or function of which is the administration of Plan X for the provision of retirement benefits for the deemed employees of a church or a convention or association of churches.

Based on the foregoing facts and representations, we conclude that Plan X is a church plan within the meaning of section 414(e).

This letter expresses no opinion as to whether Plan X satisfies the requirements of section 401(a).

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party, as specified in Rev. Proc. 2019-1, 2019-1 I.R.B. 1, § 7.01(16)(b). This office has not verified any of the material submitted in support of the request for a ruling, and such material is subject to verification on examination. The Associate office will revoke or modify a letter ruling and apply the revocation retroactively if there has been a misstatement or omission of controlling facts; the facts at the time of the transaction are materially different from the controlling facts on which the ruling was based; or, in the case of a transaction involving a continuing action or series of actions, the controlling facts change during the course of the transaction. See Rev. Proc. 2019-1, § 11.05.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Laura B. Warshawsky  
Chief, Qualified Plans Branch 1  
Office of Associate Chief Counsel  
(Employee Benefits, Exempt Organizations,  
and Employment Taxes)

cc: