

Internal Revenue Service

Department of the Treasury

SIN: 414.08-00

Washington, DC 20224

199901033

Person to Contact:

Telephone Number:

Refer Reply to: OP:E:EP:T:3

Date:

OCT 15 1998

Legend:

Church C =

City M =

City N =

Order A (City M
Regional Community) =

Order A (City N
Regional Community) =

Order B =

Order C =

Health Corporation P =

Health Corporation Q =

Hospital H =

Plan X =

Committee W =

Directory M =

Ladies and Gentlemen:

This is in response to a ruling request dated June 15, 1998, as supplemented by additional correspondence dated July 21, 1998, in which your authorized representative requests a ruling on your behalf 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 on your behalf:

Hospital H is sponsored by Order A (City M Regional Community), Order A (City N Regional Community), Order B and Order C (the Orders). The Orders are Church C religious congregations of women listed in Directory M which is the official directory of Church C. The civil law entities through which the Orders sponsor Hospital H include Health Corporation Q which is the parent of Hospital H and Health Corporation P which is the parent of Health Corporation Q.

The Orders designate the individuals who serve as the sole members of Health Corporation P (Health Corporation P Corporate Members). Health Corporation P is a Church C healthcare organization and as such embraces and is subject to the traditions, teaching and law of Church C and the spirit and tradition of the Orders. Health Corporation P operates in accordance with the ethical and religious directives for Church C health care services. The Orders, through the Health Corporation P Corporate Members, approve any change in the philosophy and mission of Health Corporation P, elect the trustees of Health Corporation P and remove them with or without cause and approve amendments to the articles of incorporation and bylaws of Health Corporation P.

Health Corporation P is the sole member of Health Corporation Q. As sole member, it has retained the power to approve any change in the philosophy and mission of Health Corporation Q, to establish model articles of incorporation and bylaws used by Health Corporation Q and to remove its trustees. Health Corporation Q is in turn the sole member of Hospital H and retains the power to approve any change in the philosophy and mission of Hospital H and remove its trustees.

Plan X is a defined benefit plan established by Hospital H for the benefit of its eligible employees. Plan X is administered by Committee W. The principal purpose and function of Committee W is the administration of Plan X. The members of Committee W are appointed by the Hospital H board of trustees through the president of Hospital H. Any member of Committee W may be removed at will by the board of trustees of Hospital H. Plan X is qualified under section 401(a) of the Code.

Health Corporation P and Health Corporation Q are listed in Directory M. In a letter dated September 30, 1997, Hospital H was officially advised by Church C authorities that it will be included in the next publication of Directory M. The September 30, 1997, letter also provides that the subject letter establishes Hospital H's exemption from federal income tax under section 501(c)(3) of the Code in the interim until publication of the next edition of Directory M.

Based on the foregoing facts and representations, a ruling is requested that Plan X qualifies as a church plan within the meaning of section 414(e) of the Code.

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 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" 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) 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).

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.

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).

The Orders, Health Corporation P, Health Corporation Q and Hospital H are all listed or will be listed in Directory M which is the official directory of Church C. The Internal Revenue Service has determined that any organization listed in Directory M is an organization described in section 501(c)(3) of the Code, that is exempt from tax under section 501(a). Also, any organization that is listed in Directory M shares common religious bonds and convictions with Church C and is deemed associated with Church C within the meaning of section 414(e)(3)(D) of the Code.

Accordingly, Hospital H is exempt from taxation under section 501(a) and is also associated with Church C. Therefore, pursuant to section 414(e)(3)(B) and (C) of the Code, employees of Hospital H are deemed to be employees of Church C and Church C is deemed to be the employer of such employees for purposes of the church plan rules.

However, an organization must also establish that its 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.

The members of Committee W are appointed by the Hospital H board of trustees through the president of Hospital H and any member of Committee W may be removed at will by the board of trustees of Hospital H. Thus, Committee W is controlled by Hospital H. Since Committee W is controlled by Hospital H, it is indirectly associated with Church C. Further, since as represented above, the principal purpose of Committee W is the administration of Plan X, Committee W constitutes an organization, the principal purpose or function of which is the administration of plans or programs for the provision of retirement benefits or welfare benefits, or both, for the employees of Hospital H. Therefore, Committee W qualifies as an organization described in section 414(e)(3)(A) of the Code.

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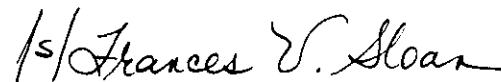
Page 5

Accordingly, in regard to your ruling request, we conclude that Plan X qualifies as a church plan within the meaning of section 414(e) of the Code.

This letter expresses no opinion as to whether Plan X satisfies the requirements for qualification under section 401(a) of the Code. The determination as to whether a plan is qualified under section 401(a) is within the jurisdiction of the appropriate Key District Director's office of the Internal Revenue Service.

In accordance with a power of attorney on file in this office a copy of this ruling is being sent to you and the original ruling and another copy of the ruling are being sent to your authorized representatives.

Sincerely yours,



Frances V. Sloan
Chief, Employee Plans
Technical Branch 3

Enclosures:

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Notice 437