Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

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OP:E:EP:T:3

Person to Contact:

Telephone Number:

Refer Reply to:

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Legend:

Church C =

Church D =

Management
Company L =

Corporation M =

Corporation N =

Plan X =

Committee C =

Directory M =

Yearbook Y =

This is in response to a ruling request dated January 19, 1999, as supplemented by additional correspondence dated March 3, 1999, March 17, 1999, April 6, 1999 and April 30, 1999, in which you request a ruling 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:

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Management Company L was incorporated in 1996 as a nonprofit health care management organization to plan for and oversee the creation and operation of an integrated health care delivery system for its sole corporate members, Corporation M and Corporation N. Corporation M is affiliated with Church D and Corporation N is affiliated with Church C. The health care facilities of Corporation M and Corporation N under Management Company L's management, retain their individual identities as Church C or Church D organizations. Management Company L's board of trustees has eighteen voting members. Twelve of the members are appointed by Corporation N and five of the members are appointed by Corporation M. The final voting member of the board is the president/chief executive officer of Management Company L. Management Company L is an organization described in section 501(c)(3) of the Code which is exempt from federal income tax under section 501(a). Management Company L is listed in Directory M which is the official directory of Church C organizations.

Corporation N is an organization described in section 501(c)(3) of the Code which is exempt from tax under section 501(a). Corporation N's mission as stated in its bylaws is to operate in conformity with the mission of its sole corporate member. That mission is to nurture the healing ministry of Church C by bringing it new life, energy and visibility in the twenty-first century. Corporation N proposes to further its mission by promoting "the health and well being of the people in the communities it serves through a comprehensive continuum of services provided in collaboration with partners who share the same vision and values". Corporation N and each of its health care facilities are operated in accordance with the Ethical and Religious Directives for Church C Health Care Services. Corporation N is also listed in Directory M which is the official directory of Church C organizations.

Corporation M is an organization described in section 501(c)(3) of the Code which is exempt from tax under section 501(a). Corporation M is a health care organization listed in Yearbook Y, the yearbook of Church D. Corporation M is included in Yearbook Y along with other health care organizations affiliated with Church D.

Article I, Section 2 of the bylaws of Corporation M provides that the primary purpose of Corporation M is to promote the wholeness of mankind, physically, mentally and spiritually in a manner which is consistent with the philosophy, teachings and practices of Church D.

Article II, Section 3 of the bylaws describes the constituency of the board of trustees, the governing body of Corporation M. There are currently 15 individuals serving as trustees of Corporation M. The bylaws adopt very specific

requirements for persons wishing to serve on the board of trustees. Each is required to be a member in good standing of Church D and a majority must be comprised of persons who are members of specific denominational constituencies, boards or executive committees of organizations that are listed in Yearbook Y. In addition, one of the members of the board must be the president of Corporation M. A second member must be the president of the Rocky Mountain Conference of Church D. A third member must be the president of the Mid-America Union Conference of Church D.

Article II, Section 4 of the bylaws provides that members of the board shall be elected by a majority vote of the board. The bylaws further provide that only individuals possessing the qualifications outlined in Article II, Section 3 may be elected.

Management Company L established Plan X as a profit sharing plan for its lay employees and the lay employees of Corporations M and N effective January 1, 1998. Plan X is intended to qualify under section 401(a) of the Code. There are no employees of any for profit or taxable nonprofit entity that currently participate in Plan X. Plan X is operated under the authority of Committee C, a committee appointed by the board of Management Company L. The sole function of Committee C is to administer Plan X. Committee C has the duty to perform any and all acts necessary in connection with the administration of Plan X. Committee C is composed of three members who are appointed by the board of Management Company L. Members of Committee C serve at the pleasure of the board of Management Company L.

Based on the foregoing facts and representations, a ruling is requested that Plan X is 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 secton 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).

Management Company L and Corporation N are organizations described in section 501(c)(3) of the Code that are exempt from tax under section 501(a). Both Management Company L and Corporation N are 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 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. Therefore, pursuant to section 414(e)(3)(B) and (C) of the Code, the employees of Management Company L and Corporation N 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.

Corporation M is an organization described in section 501(c)(3) of the Code which is exempt from tax under section 501(a). Corporation M is associated with Church D by virtue of sharing common religious bonds and convictions as evidenced by the following:

Corporation M is listed in Yearbook Y. Corporation M's bylaws provide that Corporation M is required to operate in a manner consistent with the philosophy, teachings and practices of

Church D. Corporation M's board members must be members in good standing of Church D and a majority must be members of specific denominational constituencies, boards or executive committees of organizations that are listed in Yearbook Y and therefore recognized by Church D as related organizations.

Accordingly, pursuant to section 414(e)(3)(B) and (C) of the Code, the employees of Corporation M are deemed to be employees of Church D and Church D 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.

Plan X is administered by Committee C. Committee C is appointed by the board of Management Company L and serves at the pleasure of that board. Thus, Committee C is controlled by Management Company L. Since Committee C is controlled by Management Company L it is indirectly associated with Church C. Further, since, as represented above, the sole purpose of Committee C is the administration of Plan X, Committee C constitutes an organization described in section 414(e)(3)(A) of the Code.

Accordingly, it is concluded that Plan X is 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.

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.

In accordance with a power of attorney submitted with this ruling request, a copy of this letter has been sent to your authorized representative.

Sincerely yours,

/s/ Frances V. Sloan

Frances V. Sloan
Chief, Employee Plans
Technical Branch 3

Enclosures:
Deleted copy of letter
Notice 437

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