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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

MAY 30 2003

Uniform Issue List: 403.00-00, 7701.00-00

Attention:

Legend:

Hospital A =

Company B =

State M =

Plan X =

Plan Y =

Plan Z =

Dear

This is in response to your request for a ruling, dated March 22, 2002, submitted by your authorized representative, concerning sections 403(b) and 7701 of the Internal Revenue Code (the "Code). A letter dated September 26, 2002, supplemented the request.

Hospital A is a not-for-profit corporation organized under the laws of State M. Hospital A is an organization described in section 501(c)(3) of the Code that is exempt from taxation under section 501(a) of the Code.

Company B is a State M limited liability company organized in March 2001. The sole member of Company B is Hospital A. Company B has not elected to be treated as a corporation or as an entity separate from its owner. Company B is engaged in the business of providing management information technology and consulting services to health care organizations such as Hospital A and other such entities requiring such services.

Hospital A maintains Plan X, Plan Y, and Plan Z (collectively, "the Plans"). The Plans are intended to satisfy the requirements of section 403(b) of the Code.

The Plans define "Employee" as "any person who is employed by the Employer regardless of whether such person is referred to as an employee or an associate under the payroll practices of the Employer." Under the terms of the Plans, "Employer" means "[Hospital A] and any other Member Company." "Member Company" means "any other entity that is or hereafter becomes: (a) an Associated Company, or (b) approved by the Board as a Member Company." "Associated Company" is defined as the controlled group for purposes of section 414 of the Code. "Eligible Employee" is defined differently in each Plan depending on the employment category of the employees covered by each Plan.

Based on the foregoing, you request a ruling that for purposes of section 403(b) of the Code, employees of Company B, a single member limited liability company, will be treated as employed by Hospital A, an organization described in section 501(c)(3) of the Code, which is the sole member of Company B, and eligible to participate in a plan maintained by Hospital A, a section 501(c)(3) organization that is intended to satisfy the requirements of section 403(b) of the Code.

Section 403(b) of the Code provides in pertinent part that, if an annuity contract is purchased for an employee by an employer described in section 501(c)(3) of the Code which is exempt from tax under section 501(a), and certain other requirements (including the nonforfeitability of the employee's rights under the contract, except for failure to pay future premiums), are met, then amounts contributed by such employer for such annuity contract, on or after such rights become nonforfeitable, shall be excluded from the gross income of the employee for the taxable year to the extent that the aggregate of such amounts does not exceed the applicable limit under section 415.

Section 301.7701-1(a)(1) of the Procedure and Administration Regulations ("regulations") provides that the Code prescribes the classification of various organizations for federal tax purposes.

Section 301.7701-1(a)(4) of the regulations provides that under sections 301.7701-2 and 301.7701-3 certain organizations that have a single owner can choose to be recognized or disregarded as entities separate from their owners.

Section 301.7701-2(a)(1) of the regulations provides that if an entity with only one owner is disregarded, its activities are treated in the same manner as a sole proprietorship, branch or division of the owner.

Section 301.7701-3(b)(1) of the regulations provides that unless the entity elects otherwise, a domestic eligible entity is disregarded as an entity separate from its owner if it has a single owner.

Hospital A is the sole owner of Company B. Company B has not elected to be treated as a corporation or as an entity separate from its owner. For the purposes of section 301.7701, and under section 301.7701-2(a) of the regulations, Company B is treated in the same manner as a sole proprietorship, branch or division of Hospital A. Therefore, the employees of Company B will be treated as employees of Hospital A for purposes of section 403(b) of the Code.

Accordingly, we conclude with respect to your ruling request that that for purposes of section 403(b) of the Code, employees of Company B, a single member limited liability company, will be treated as employed by Hospital A, an organization described in section 501(c)(3) of the Code, which is the sole member of Company B, and eligible to participate in a plan maintained by Hospital A, a section 501(c)(3) organization that is intended to satisfy the requirements of section 403(b) 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.

If you have any questions concerning this private letter ruling, please contact **** ********** (ID: **-*****) at (***) ***-**** (not a toll free number).

A copy of this letter is being sent to your authorized representative in accordance with a power of attorney on file in this office.

Sincerely yours,

/s/

Frances V. Sloan, Manager
Employee Plans Technical Group 3

Enclosures:
Notice of Intention to Disclose
Deleted Copy of Ruling

CC: