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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

JUN 27 2003

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Attention: **********, President

Legend:

N Churches = **********

Regional Churches = **********

Organization A = **********

Organization B = **********

Organization C = **********

Committee E = **********
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State C = **********

City D = **********

Directory 2001 = **********
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Plan X = **********
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Ladies and Gentlemen:

This is in response to a letter dated January 28, 2003, as supplemented by letters dated April 1, 2003, April 28, 2003, and May 30, 2003, in which your

authorized representative requested a ruling regarding the status of Plan X as a church plan described in section 414(e) of the Internal Revenue Code ("Code").

The following facts and representations have been submitted on your behalf:

N Churches is a denomination that is organized on a cooperative basis, under which local, autonomous churches and other ministry organizations voluntarily join together to engage in cooperative ministries and missions in accordance with the N Churches' faith and belief. N Churches is thus a congregationally governed denomination in which decisions are made on behalf of the denomination as a whole at biennial meetings of representatives of the local ministries. The individual churches of N Churches thus are not controlled by a main denominational organization. Rather, each local church is a separate autonomous organization that elects to participate in the community of churches comprising N Churches.

Organization A is a nonprofit State C corporation that has for many years operated a retirement home under the auspices of the N Churches. By letter dated December 9, 1981, the Internal Revenue Service issued a letter to Organization A stating that the application for exemption from Federal income tax under section 501(c)(3) of the Code issued previously still remains in effect.

The stated purposes of Organization A are to provide retirement residence and care for the needy retired ministers and missionaries and their living spouses and to involve retirement ministers and missionaries as chaplains of the N Churches. Organization A is a Christian retirement community that offers a full range of living options and services to ministers, missionaries, their spouses, and to the lay community.

Organization A is a member of Organization B and is listed in the directory of its members. Organization B is an association of faith-based ministries organized under the auspices of the N Churches. It was founded in 1930 and has been affiliated with the national ministries of the N Churches since 1940. For over 70 years, Organization B has partnered with the N Churches at the local and national level to provide a broad spectrum of care as a ministry of the N Churches. Organization B today continues its mission to develop and enhance the ministries of its members; to promote standards of excellence in the N Churches' health services to adults and children of special needs; and to communicate its program to all of the N Churches.

Organization A was conceived as an outreach of the N Churches and continues to function as such to the present day. It was established in 1914 under the auspices and control of what is now called the Regional Churches.

During the 1930's, Organization A was given the right to form its own board, subject to several conditions intended to insure continuing influence and control over Organization A's ministry. Among the most important of these features was the requirement that the Executive Minister of the N Churches of City D and the Executive Minister of the Regional Churches serve on the Board of Trustees of Organization A, as well as the requirement that board members come from the N Churches. The president of Organization A is (and has always been) an ordained minister in the N Churches.

The current president of Organization A serves on a number of denominational committees and commissions, including Committee E, which votes on the professional standing (i.e., "ordination") of clergy in certain states.

Organization A participates in a number of training events in which it underwrites the educational program for several dozen of the N Churches' ministers who gather for retreats on a nearly annual basis. In addition, a considerable portion of Organization A's charitable receipts come from the N Churches and the direct solicitation of the N Churches' pastors and laypeople.

Organization A's Articles of Incorporation provide that one of its specific and primary purposes is to establish a home or homes in the area served by the Regional Churches and to use the home for the residence and care of aging ministers, missionaries, and lay members of the N Churches and other worthy evangelical church members and others as determined by the Board of Trustees. Although Organization A did open its doors to lay persons in the 1960's, its ongoing mission has always been the care of retired ministers and missionaries of the N Churches.

Organization A's Articles of Incorporation provide that at least 75 percent of the Organization A's Trustees must be members in good standing in the N Churches affiliated with the Regional Churches. Further, according to Organization A's Bylaws, the Board of Trustees is composed of not less than 15 and not more than 28 members, with each serving a term of three years or until the Trustee ceases to be a member of the N Churches affiliated with the Regional Churches, whichever is sooner. Thus, all the members of the Organization A Board of Trustees are members of the N Churches, and several members are also N Churches' ministers. In addition, the Executive Minister of the Regional Churches and Executive Secretary of City D Mission Society are non-voting advisory members of Organization A's Board of Trustees.

Organization C, a State C nonprofit public benefit corporation, is the sole member of Organization A. Organization C, as sole voting member, has the authority, inter alia, to elect and remove Organization A's Trustees, amend and restate its Articles of Incorporation and Bylaws and approve its budgets.

Organization C's Articles of Incorporation and Bylaws correspond closely to those of Organization A. Thus, Organization C's Articles of Incorporation require that at least 75 percent of Organization C's Trustees must be members in good standing of the N Churches affiliated with the Regional Churches. The Organization C Board of Trustees, like the Organization A Board of Trustees, is composed of not less than 15 and not more than 28 members, who each serve a term of three years, or until the Trustee ceases to be a member of a church affiliated with the Regional Churches, whichever is sooner. Further, at least one member from the Organization A Board of Trustees serves as either an officer or Trustee of Organization C.

In a letter dated May 30, 2003, it was represented that Organization A shares common religious bonds and convictions with the N Churches within the meaning of section 414(e)(3)(D) of the Code for the reasons stated above. A considerable portion of Organization A's charitable receipts come from fundraising among the N Churches and the direct solicitation of pastors and laypeople of the N Churches. Organization A is listed in Directory 2001, which is a directory of organizations of Regional Churches, and it is also listed in N Churches official directory.

Organization A established Plan X in 1967 for the benefit of its employees and their beneficiaries. Plan X is a defined benefit plan established to provide retirement benefits to employees of Organization A. Plan X was drafted to conform to the requirements of Code section 401(a). The principal purpose and function of the Plan Administrator is the administration of Plan X. On February 7, 2003, Organization A's Executive Committee of the Board of Trustees passed a resolution to clarify that the Administrator is the Retirement Plan Administrative Committee. That resolution also provided that Organization A's president, chief financial officer and treasurer shall be members of the Committee. The Administrative Committee is responsible for maintaining Plan X and for making all discretionary determinations arising in connection with the administration, interpretation and application of the Plan.

Based on the forgoing 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 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)(3)(A) of the Code provides that a plan established and maintained for its employees by an employer which is not itself a church or a

convention or association of churches but is associated with a church or a convention or association of churches will be treated as a church plan if it is 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.

In pertinent part, section 414(e)(3)(B) of the Code provides that an "employee" of a church or a convention or association of churches shall include 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 shall be deemed the employer of any individual included as an employee under subparagraph (B) of section 414(e)(3).

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 convention or association of churches if the organization shares common religious bonds and convictions with that church or convention or association of churches.

In order for an organization to have a church plan under section 414(e) of the Code, 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 a church or a convention or association of churches. In addition, in the case of a plan established by an organization that is not itself a church or convention or association of churches the plan must be established and maintained for its employees by an organization described in section 414(e)(3)(A) of the Code.

Organization A is an organization described in section 501(c)(3) of the Code. The following factors show that Organization A is associated with Organization C, the Regional Churches and the N Churches. One of its purposes is to provide a retirement residence for retired N Churches ministers and missionaries and their living spouses in a Christian retirement community. Its president has always been an ordained minister in the N Churches. In addition, the Executive Minister of the Regional Churches and Executive Secretary of City D Mission Society are non-voting advisory members of Organization A's Board of Trustees. A considerable portion of Organization A's charitable receipts come from fundraising among the N Churches. The fact that

Organization A is listed in Directory 2001 and N Churches official directory is a further indication that Organization A shares common religious bonds and convictions with the Regional Churches and the N Churches. Under these circumstances, Organization A shares common religious bonds and convictions with the N Churches and the Regional Churches and is therefore associated with an association of churches within the meaning of section 414(e)(3)(D) of the Code.

In view of the stated purposes of Organization A, its organization and structure, its actual activities, its relationship to Organization B and Organization C as well as its recognized status within the Regional Churches and the N Churches, the employees of Organization A meet the definition of "employee" in section 414(e)(3)(B) of the Code. They are deemed to be employees of a church or a convention or association of churches by virtue of being deemed to be employees 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.

The 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.

It has been submitted that Organization A established Plan X and that Plan X has been administered by the Retirement Plan Administrative Committee since February 7, 2003. Organization A controls the members of the Executive Committee of its Board of Trustees which passed a resolution designating the Retirement Plan Administrative Committee as the Plan X administrator. The principal purpose of the Retirement Plan Administrative Committee is the administration of Plan X. Under these circumstances, the Retirement Plan Administrative Committee acting as administrator of Plan X, constitutes an organization described in section 414(e)(3)(A) of the Code.

Accordingly, 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 whether Plan X is a qualified plan under section 401(a) of the Code. Requests for determination letters are to be addressed to EP Determinations, Internal Revenue Service, Covington, KY, in accordance with the instructions in Rev. Proc. 2003-6, Internal Revenue Bulletin 2003-1, 191.

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

A copy of this letter has been sent to your authorized representative in accordance with the current power of attorney on file in this office.

If you have any questions please conta , at

Sincerely yours,

/s/ Alan Perry
for Alan C. Pipkin, Manager
Employee Plans Technical Group 4

Enclosures:
Deleted copy of this letter
Notice of Intention to Disclose, Notice 437