

INTERNAL REVENUE SERVICE

200610023

DEC 12 2005

Uniform Issue List: 414.08-00

SE. T. EP. RA. T3

Attention:

LEGEND:

Hospital A: =

Order B: =

Church C: =

Entity D: =

Entity E: =

State F: =

Directory G: =

Plan X: =

Dear :

This is in response to correspondence dated June 28, 2004, as supplemented by correspondence dated September 1 and October 8, 2004, and November 7 and 28, 2005, submitted on your behalf by your authorized representatives, concerning whether Plan X qualifies as a church plan under section 414(e) of the Internal Revenue Code ("Code").

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

Hospital A is a non-stock corporation organized under the laws of State F and exempt from federal income tax under section 501(a) of the Code as an organization described in section 501(c)(3).

Hospital A was founded in 1913 by Order B, a religious community of Church C. The objective of Hospital A is to maintain and operate health care facilities in State F. These facilities will be used, maintained and operated in Hospital A's name under the auspices of

Order B and in conjunction with Church C's delegate for the promotion of comprehensive care, such as diagnosis, medical, surgical and behavioral hospital care and treatment, ambulatory and outpatient care, home care and other hospital and health care related services, as well as activities relating to the promotion of health. In addition, Hospital A is listed in Directory G, the official directory of Church C.

Hospital A is controlled by Entity D which is the sole member of Hospital A. Entity D is comprised of not more than eight members of which one is the General Minister of Order B, four are councilors of the Order B council, two are appointees of the General Minister of Order B, and the remaining member is Church C's representative in a major city in State F.

Certain powers are reserved to Entity D's members. These powers include the election and authority to remove Trustees to the Board of Trustees of Hospital A and the election of its officers. In addition, Entity D's members are required to approve Hospital A's mission statement and to assure that Hospital A operates in conformity with its philosophy and mission statement and that Hospital A's actions are consistent with the ethical and religious directives for Church C health care services. Also, only Entity D members have the power to amend Hospital A's certificate of incorporation or to amend, adopt or repeal any sale, mortgage or lease of any of Hospital A's real property or any merger, dissolution or consolidation of Hospital A.

Entity E is a not-for-profit affiliate of Hospital A. Entity E operates as a licensed home care agency. Entity E is exempt from federal income tax under section 501(a) of the Code as an organization described in section 501(c)(3). The President of Entity E is on Hospital A's Board of Trustees and the President/CEO of Hospital A is a member of Entity E's Board of Directors. The Senior Board member of Entity E reports to Hospital A's Board of Trustees, which maintains oversight of Entity E. In addition, Entity D is the sole member of Entity E.

Hospital A established Plan X, effective July 1, [REDACTED], to provide benefits to its eligible employees and certain employees of Entity E. Plan X is a defined contribution plan. There are currently approximately 913 participants in Plan X, of whom approximately 7 are employees of Entity E. It has been represented that Plan X had been determined to meet the qualification requirements of section 401(a) of the Code.

Pursuant to the terms of Plan X, the Plan is administered by a Pension Advisory Committee, the members of which were appointed by the Board of Trustees of Hospital A on February 23, [REDACTED]. The principal purpose and function of the Pension Advisory Committee is the administration of Plan X. The Pension Advisory Committee is comprised of the following officers of Hospital A: the Board of Trustees chair, the President/CEO, the Vice President of Human Resources, two Senior Board Members, the Vice President of Finance and the Chief Financial Officer and such other members as the President may appoint from time to time. The Pension Advisory Committee began administering Plan X, as its principal purpose, on July 1, [REDACTED], and continues to do so at the present time. Under Plan X's terms, the Board of Trustees of Hospital A has the power to appoint and remove members of the Pension Advisory Committee since the effective date of the Plan and retains such power at present.

Based on the above, a ruling is requested that Plan X is a church plan as defined in 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 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 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).

Hospital A is an organization described in section 501(c)(3) of the Code which is exempt from tax under section 501(a). Hospital A was founded in 1913 by Order B, a religious community of Church C. The objective of Hospital A is to maintain and operate health care facilities which will be used, maintained and operated in Hospital A's name under the auspices of Order B and in conjunction with Church C's delegate for the promotion of comprehensive health care. In addition, Hospital A is listed in Directory G, the official directory of Church C. The Internal Revenue Service has determined that any organization that is listed in Directory G 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.

Entity D is the sole member of Hospital A and Entity E, a not-for-profit affiliate of Hospital A which is exempt from federal income tax. As sole member, Entity D exerts control over both Hospital A and Entity E. Entity D is comprised of not more than eight members of which one is the General Minister of Order B, four are councilors of the Order B council,

two are appointees of the General Minister of Order B, and the remaining member is Church C's representative in a major city in State F. Also, the President of Entity E is on Hospital A's Board of Trustees and the President/CEO of Hospital A is a member of Entity E's Board of Directors. The Senior Board member of Entity E reports to Hospital A's Board of Trustees, which maintains oversight of Entity E. As evidenced by this affiliated relationship between Hospital A and Entity E, their relationship with Entity D, and the composition of Entity D, Hospital A and Entity E are controlled by Entity D, which is controlled by Order B, and therefore controlled by Church C. Therefore, based on Entity D's relationship with Hospital A and Entity E, Hospital A and Entity E are considered controlled by Entity D and therefore indirectly controlled by Church C through Order B.

In view of the stated purposes of Hospital A and Entity E, their organization and structure, their actual activities and recognized status within Church C, Hospital A and Entity E employees meet the definition of section 414(e)(3)(B) of the Code and are 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 convention or association of churches.

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.

In this regard, pursuant to the terms of Plan X, the Plan is administered by a Pension Advisory Committee, the members of which were appointed by the Board of Trustees of Hospital A on February 23, [REDACTED]. The principal purpose and function of the Pension Advisory Committee is the administration of Plan X. The Pension Advisory Committee is comprised of the following officers of Hospital A: the Board of Trustees chair, the President/CEO, the Vice President of Human Resources, two Senior Board Members, the Vice President of Finance and the Chief Financial Officer and such other members as the President may appoint from time to time. The Pension Advisory Committee began administering Plan X, as its principal purpose, on July 1, [REDACTED] and continues to do so at the present time. Under Plan X's terms, the Board of Trustees of Hospital A has the power to appoint and remove members of the Pension Advisory Committee since the effective date of the Plan and retains such power at present.

Therefore, the administration of Plan X satisfies the requirements regarding church plan administration under section 414(e)(3)(A) of the Code. Accordingly, Plan X is maintained by an organization that is controlled by or associated with a church or convention or association of churches, and the principal purpose or function of which is the administration of Plan X for the provision of retirement benefits for the employees of Hospital A and Entity E.

Accordingly, with respect to your ruling request, we conclude that Plan X is a church plan as defined in section 414(e) of the Code.

No opinion is expressed as to the tax treatment of the transaction described herein under the provisions of any other section of either the Code or regulations which may be applicable thereto.

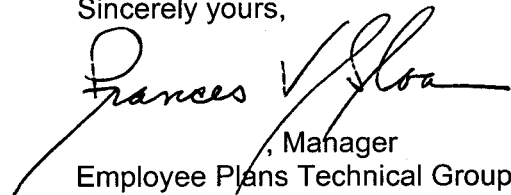
200610023

This ruling expresses no opinion with respect to whether Plan X satisfies the requirements for qualification under section 401(a) of the Code.

This letter 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 as precedent.

Pursuant to a power of attorney on file with this office, a copy of this letter ruling is being sent to your authorized representative. If you wish to inquire about this ruling, please contact . Please address all correspondence to SE:T:EP:RA:T3.

Sincerely yours,


Frances V. Sloan
Manager
Employee Plans Technical Group 3

Enclosures:

Deleted copy of ruling letter
Notice of Intention to Disclose