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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

AUG 30 2007

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Attention: ***

Legend:

Church A = ********************************

Congregation B = *********************************

Congregation B-1 = **

University C = ***************************************

Corporation D = ***************************************

Hospital E = ***
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Organization J = **
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Organization K = ******************************

State L = *****************************

City M = ********************************

Plan X = **

Plan Y = **

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This is in response to a letter dated January 26, 2006, as supplemented by additional correspondence dated January 4, August 2, August 13, August 16 and August 17, 2007, in which your authorized representative requested a ruling on your behalf under section 414(e) of the Internal Revenue Code ("the Code").

In support of your ruling request you have submitted the following statements and information:

Corporation D and Hospital E are elements of a health care system established in State L under the auspices of Church A, Congregation B, and University C. University C is the sole member of Corporation D, which is the sole member of Hospital E. Hospital E, a not-for-profit corporation chartered under the laws of State L, operates a teaching hospital and medical clinics. By letter dated August 1, 1995, the Internal Revenue Service ("Service") determined that Hospital E is a tax-exempt organization under section 501(c)(3) of the Code.

The Mission Statement of Corporation D, Hospital E's sole member, describes an organization that, through the religious heritage of Church A, is committed to excellence in patient care and the education of health care professionals. Corporation D's connections to Church A and to Congregation B's traditions of ethical behavior, academic distinction, and scientific research contribute to new knowledge, and advance the organization's healing mission in the communities that it serves. To further this mission, Corporation D and Hospital E foster an environment that encourages innovation, embraces diversity, respects life, and values human dignity.

Congregation B, a religious order, was founded under the auspices of Church A. In furtherance of the teachings and tenets of Church A, Congregation B began providing medical education and health care. The head of Congregation B is responsible for the governance of Congregation B.

Congregation B-1 is a regional subdivision of Congregation B, with offices and a residence for congregants located in City M of State L. The head of Congregation B-1 is appointed by and reports directly to the head of Congregation B. As parts of its mission within Church A, Congregation B-1 lists evangelization of contemporary culture, the strengthening of Church A heritage and identity, contributions to the intellectual life of Church A by scholarship, research, and writing, and solidarity with the poor. Congregation B-1 operates two universities, including University C. Congregation B-1 also is a not-for-profit corporation chartered under the laws of State L.

As one of four medical schools sponsored by Congregation B, Corporation D values its opportunity to further the teachings and tenets of Church A by caring for patients and educating future physicians, nurses, bio-medical scientists, and other medical professionals in the long tradition of Church A medical education and health care.

Corporation D and Hospital E adhere to the standards of patient care and professional conduct outlined in the " " for Church A Health Care Services, published by the leaders of Church A in the United States.

Corporation D's by-laws provide that University C, as the sole member of Corporation D, retains authority over the election, removal, appointment and replacement of the members and the Chairman of Corporation D's Board of Directors. University C also has final approval over the election, removal, appointment and replacement of Corporation D's President, and over its annual operating and capital budgets.

Hospital E's by-laws provide that Corporation D, as the Hospital's sole member, retains authority over the election, removal, appointment and replacement of the Hospital's President, and the Chairman and members of the Hospital's Board of Directors. Corporation D also retains authority to approve and modify the strategic plan, and operating and capital budgets of Hospital E.

Effective April 1, , Hospital E adopted Plan X, a defined benefit pension plan, to provide retirement benefits for its eligible employees and their beneficiaries. Plan X provides benefit accruals comparable to those provided in Plan Y, a defined benefit plan sponsored by University C. Participation by Hospital E employees in Plan Y was frozen as of March 31, . No employees of for-profit entities or any individuals who are or can be considered employees in connection with any unrelated trade or business within the meaning of section 513 of the Code are eligible to participate in Plan X.

Plan X has been adopted by three organizations in addition to Hospital E, the Plan sponsor:

1. Congregation B-1 is described above. Congregation B-1 adopted Plan X, effective July 1, , and employees ceased accruing benefits under Plan Y as of June 30, .

2. Organization J operates facilities for "retreats" and conferences in cooperation with Church A of City M and its surrounding area. Meetings at Organization J are intended to encourage spiritual development among Church A adherents and among persons of other religious persuasions. Organization J adopted Plan X, effective May 1, , and Organization J employees ceased accruing benefits under Plan Y as of April 30, .

3. Organization K, founded in , is a not-for-profit publisher of religious literature for Congregation B-1. Literature published by Organization K encourages "faith formation" in children and spiritual growth in adults. Organization K adopted Plan X, effective July 1, , and Organization K employees ceased accruing benefits under Plan Y as of June 30, .

By letter issued by the Service, dated December 14, 2005, Plan X was determined to be a qualified multiple employer plan under sections 401(a) and 413(c) of the Code.

A "Retirement Plan Committee" that is appointed by Hospital E's Board of Directors, and which serves at the pleasure of that Board, administers Plan X. The principal purpose of the Retirement Plan Committee is the administration of Plan X. Individual Committee members are all employees and executive officers of Corporation D or Hospital E. The Retirement Plan Committee retains all authority to interpret the Plan X document, rule on appeals of denied claims, and determine the necessary funding levels of Plan X.

A separate Retirement Plan Investment Committee composed of employees and executive officers of Corporation D and Hospital E oversees the investment of Plan X assets. Congregation B-1, and Organizations J and K utilize the administrative committees established and maintained by Hospital E to oversee the participation of their employees and their employees' beneficiaries in Plan X.

Congregation B-1, University C, Corporation D, Hospital E, and Organizations J and K are all organizations listed in the Official Directory of Church A in the United States. The Service has determined that all such organizations listed or appearing in the Official Directory of Church A are organizations described in section 501(c)(3) of the Code and exempt from tax under section 501(a).

Based on the foregoing statements and representations, Hospital E requests a ruling that Plan X is a church plan within the meaning of section 414(e) of the Code, and has been a church plan since its April 1, effective date.

To qualify under section 401(a) of the Code, an employees' plan generally must, among other requirements, meet the minimum participation standards of section 410 and the minimum vesting standards of section 411. Qualified pension plans also must meet the minimum funding standards of section 412. Each of these sections, however, contains an exception for a "church plan" as defined in section 414(e), unless an election has been made in accordance with section 410(d). See, sections 410(c)(1)(B), 411(e)(1)(B) and 412(h)(4).

Further, only the employer or administrator of a plan subject to ERISA is required to file Form 5500 or Form 5500C (Annual Return/Report of Employee Benefit Plan). Church pension benefit plans and various welfare benefit plans that are church plans are excused from the filing. See, Announcement 82-146, 1982-47 I.R.B. 53, and sections 1A and 2B of the instructions to Form 5500.

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.

Section 414(e)(3)(A) of the Code provides that a plan 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.

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, or 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).

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.

Section 1.414(e)-1(c) of the Income Tax Regulations ("Regulations") provides, in pertinent part, that the term "church plan" does not include a plan which, during the plan year, is maintained by two or more employers unless: (1) each of the employers is a church that is exempt from tax under section 501(a); and (2) less than 50 percent of the employees of such employers are employed in an unrelated trade or business.

Section 1.414(e)-1(e) of the Regulations provides that for the purpose of this section, the term "church" includes a religious order or a religious organization if such order or organization (1) is an integral part of the church and (2) is engaged in carrying out the functions of a church, whether as a civil law corporation or otherwise.

In order for an organization that is not itself a church or convention or association of churches to have a church plan under section 414(e) of the Code, that organization 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). Employees of any organization maintaining a plan are considered to be church employees if that organization is an integral part of the Church. Alternatively, employees of any organization maintaining a plan are considered to be church employees if that organization: (1) is exempt from tax under section 501 of the Code; (2) is controlled by or associated with a church or convention or association of churches; and (3) provides for the administration or funding (or both) of the plan by an organization described in section 414(e)(3)(A) of the Code.

In this case, Corporation D and Hospital E are elements of a health care system established under the auspices of Church A, Congregation B, and University C. Hospital E, a not-for-profit corporation chartered under the laws of State L, is part of an organization that, through its Church A religious heritage and Congregation B's traditions of ethical behavior, academic distinction, and scientific research, is committed to excellence in patient care and the education of health care professionals.

In addition, Congregation B-1, Corporation D and Hospital E, and Organizations J and K are all organizations listed in the Official Directory of Church A in the United States. Organizations listed or appearing in the Official Directory of Church A have been determined by the Service to be organizations described in section 501(c)(3) of the Code and exempt from tax under section 501(a). Further, by virtue of their listings in the Church A Directory and their commitments to caring for the sick, providing quality medical education, contributing to the spiritual betterment of Church A adherents through ministry, publications, religious retreats, and service to the poor, Congregation B-1, Corporation D, Hospital E, and Organizations J and K all share common religious bonds and convictions with Church A and Congregation B. Accordingly, we conclude that Corporation D, Hospital E, and Organizations J and K are "associated" with Church A and Congregation B for purposes of section 414(e)(3)(D) of the church plan rules.

Moreover, under the rule of Code section 414(e)(3)(B), if an organization is controlled by or associated with a church or convention or association of churches as provided under section 414(e)(3)(D), the employees of that organization are deemed to be employees of that church or convention or association of churches. Accordingly, the employees of Corporation D, Hospital E, and Organizations J and K in this case also are considered to be Church A employees for purposes of the church plan rules of Code section 414(e). Conversely, under the rule of Code section 414(e)(3)(C), Church A is deemed to be the employer of the employees of Corporation D, Hospital E, and Organizations J and K.

With regard to Congregation B-1, a religious order that is an integral part of Church A engaged in carrying out the functions of Church A within the meaning of section 1.414(e)-1(e) of the Regulations, lay employees of Congregation B-1 are, therefore,

Church A employees; and any member of Congregation B or Congregation B-1 is a duly ordained, commissioned, or licensed Church A minister in the exercise of his ministry, within the meaning of section 414(e)(3)(B) of the Code.

Having established that Congregation B-1 employees are Church A employees, and that Corporation D, Hospital E, and Organizations J and K employees are deemed to be Church A employees, the question remaining is whether or not Plan X is administered by an organization, 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.

Effective April 1, , Hospital E adopted Plan X, a defined benefit pension plan, to provide retirement benefits for eligible employees and their beneficiaries. Congregation B-1 and Organizations J and K subsequently adopted Plan X. All Plan X participants are employed by an organization that is exempt from tax under Code § 501(a); no Plan X participant is employed by an unrelated trade or business.

A Committee that is appointed by Hospital E's Board of Directors and serves at the pleasure of that Board administers Plan X. The principal purpose of the Committee is the administration of Plan X. Individual Committee members are all employees and executive officers of Corporation D or Hospital E. The Committee retains all authority to interpret the Plan X document and rule on appeals of denied claims. A separate Retirement Plan Investment Committee, composed of employees and executive officers of Corporation D and Hospital E, oversees the investment of Plan X assets. We conclude, therefore, that Plan X is maintained by an organization that is controlled by or associated with a church or convention or association of churches, the principal purpose or function of which is the administration or funding of a plan or plans within the meaning of section 414(e)(3)(A) of the Code.

Accordingly, it is ruled that Plan X is a church plan within the meaning of section 414(e) of the Code, and has been a church plan since its April 1, effective date.

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.

This letter expresses no opinion as to whether Plan X continues to satisfy the requirements for qualification under Code § 401(a). The determination as to whether a plan is qualified under § 401(a) is within the jurisdiction of the Manager, Employee Plans Determinations Programs, Cincinnati, Ohio.

Pursuant to section 1.6 of Plan X, Hospital E (the Plan sponsor) is authorized to act on its own behalf and on behalf of each participating Employer with respect to any communication with the Service on the status of the Plan as a qualified plan or as a church plan under Code section 414(e).

This ruling, therefore, is directed only to the taxpayer (the Plan sponsor) that requested it, and those other organizations specifically listed herein as having adopted Plan X. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

Copies of this letter and related documents have been sent to your authorized representative in accordance with a power of attorney on file in this office. If you have any questions pertaining to the ruling, please contact SE:T:EP:RA:T1 for further information.

Sincerely,

Carlton A. Watkins

Carlton A. Watkins Manager
Employee Plans Technical Group 1