



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

201222052

MAR 07 2012

U.I.L 414.08-00

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Attention: XXXXXXXXXXXXXXXXXXXXXXXX

LEGEND:

Church A	= XXXXXXXXXXXXXXXXXXXXX
Individual B	= XXXXXXXXXXXXXXXXXXXXX
Religion C	= XXXXXXXXXXXXXXXXXXXXX
Association D	= XXXXXXXXXXXXXXXXXXXXX
Entity E	= XXXXXXXXXXXXXXXXXXXXX
State F	= XXXXXXXXXXXXXXXXXXXXX
Plan X	= XXXXXXXXXXXXXXXXXXXXX

Dear xxxxxxxx:

This is in response to correspondence dated xxxxxxxx, as supplemented by correspondence dated xxxxxxxx, and xxxxxxxx, submitted on behalf of Entity E by its authorized representative, 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 submitted under penalty of perjury in support of the rulings requested:

Church A is a church which is tax-exempt under section 501(a) of the Code. Church A has maintained and supported parish-sponsored nursery schools, kindergartens, and primary schools since pre-revolutionary days. In 1952,

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Individual B was instrumental in joining these Church A schools into an organized community to uphold the quality and integrity of these schools, to strengthen their Religion C vocation, to provide a means of communication among them, and to furnish a liaison with Church A. This organization was known as Association D, the predecessor to Entity E.

Initially, Association D was headed by the Executive Secretary who was located within Church A's Department of Religion C Education, with all salaries and overhead costs paid directly by Church A.

In 1965, Association D became a separately incorporated entity known as Entity E. Entity E is a not-for-profit corporation which is exempt from federal income tax under section 501(a) of the Code as an organization described in section 501(c)(3). Entity E is housed in Church A's main offices in State F free of rent and building overhead charges. Entity E is considered an Allied Organization of Church A and is listed in Church A's Annual Directory.

The Primary purpose of Entity E is to assist schools which designate themselves as Church A schools in promoting the educational ministry of Church A.

The constitution of Entity E provides that voting membership in Entity E is limited to schools: 1) that are owned, operated, or sponsored by a parish, cathedral, diocese, religious community, or other recognized Church A organization; 2) that are under the jurisdiction of the bishop of the diocese in which it is located; or 3) that teach the faith and worship of Church A as set forth in the Holy Bible and in the Prayer Book of Church A as authorized by the General Convention of Church A, and which operate with the knowledge and consent of the bishop of the diocese in which it is located.

Entity E is governed by a Governing Board. The Governing Board appoints an Executive Director, who must be a priest, deacon, or lay communicant in good standing in Church A, qualified by training, pastoral, and educational experience to carry forward the aims and purposes of Entity E. The Presiding Bishop of Church A sits as Honorary Chair of the Entity E Governing Board. Membership in the Governing Board is limited to individuals who are members of the administrative or teaching staff, or a member of the governing board, of a member school.

Effective September 1, 1999, the Governing Board of Entity E established Plan X. Plan X is a new plan, not a successor plan, and meets the requirements of section 403(b) of the Code. Entity E has never intended that Plan X be subject to the Employee Retirement Security Act of 1974 (ERISA) and consequently has not sought to meet ERISA's requirements such as filing a Form 5500, or making an election under section 410(d) of the Code.

Plan X covers only full-time administrative employees of Entity E. Plan X precludes participation by a person not employed by a tax-exempt entity. None of the eligible participants are employed in connection one or more unrelated trades or businesses within the meaning of section 513 of the Code.

Pursuant to Article VIII of Plan X, administrative control of Plan X is vested in the Governing board of Entity E. The Governing Board has established a Committee consisting of certain members of the Governing Board and the Director of Operations of Entity E to administer Plan X. The Governing Board appoints and removes members of the Committee and has final oversight over the actions of the Committee. The Committee's primary purpose and function is the administration of Plan X.

In accordance with Revenue Procedure 2011-44, Notice to Employees with reference to Plan X was provided on October 8, 2011. This notice explained to participants of Plan X the consequences of Church Plan Status.

Based on the above facts and representations, the following rulings are requested:

1. The employees of Entity E are church employees with the meaning of section 414(e)(3)(B) of the Code.
2. Plan X, maintained by Entity E, is controlled by a religious order and qualifies as a church plan pursuant to 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)(2) of the Code provides, in part, that the term "church plan" does not include a plan that is established and maintained primarily for the benefit of employees (or their beneficiaries) of such church or convention or association of churches who are employed in connection with one or more unrelated trades or businesses (within the meaning of section 513); or if less than substantially all of the individuals included in the plan are individuals described in section 414(e)(1) of section 414(e)(3)(B) (or their beneficiaries).

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 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 generally defines "employee" of a church or a convention or association of churches 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.

Revenue Procedure 2011-44, 2011-39 I.R.B. 446 supplements the procedures for requesting a letter ruling under section 414(e) of the Code relating to church plans. The revenue procedure requires that plan participants and other interested persons receive a notice in connection with a letter ruling request under section 414(e) for a qualified plan, to require that a copy of the notice be submitted to the Internal Revenue Service (IRS) as part of the ruling request, and to provide procedures for the IRS to receive and consider comments relating to the ruling request from interested persons.

In order for an organization that is not itself a church or convention or association of churches to have a qualified church plan, it must establish that its employees are employees or deemed employees of a church or convention or association of churches under section 414(e)(3)(B) of the Code by virtue of the organization's control by or affiliation with the church or convention or association of churches. Employees of any organization maintaining a plan are considered to be church employees if the 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 administration or funding (or both) of the plan 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 or funding of the plan and must also be controlled by or associated with a church or convention or association of churches.

Entity E is a not-for-profit corporation which is exempt from federal income tax under section 501(a) of the Code as an organization described in section 501(c)(3) of the Code. Entity E is considered an Allied Organization of Church A

and is listed in Church A's Annual Directory. Entity E's primary purpose is to assist schools which designate themselves as Church A schools in promoting the educational ministry of Church A.

The Constitution of Entity E provides that voting membership in Entity E is limited to schools that have a significant relationship with Church A, or an organization which is controlled by or associated with Church A.

Entity E is governed by a Governing Board which appoints an Executive Director who must be a priest, deacon, or lay communicant in good standing in Church A. The Presiding Bishop of Church A sits as Honorary Chair of Entity E Governing Board and membership in the Board is limited to individuals who are members of the administrative or teaching staff, or a member of the governing board, of a member school.

The administrative control of Plan X is vested in Entity E's Governing Board, which is associated with Church A. The Governing Board has established a Committee consisting of certain members of the Governing Board and the Director of Operations of Entity E to administer Plan X. The Governing Board appoints and removes members of the Committee and has final oversight over the action of the Committee. The Committee's primary purpose and function is the administration of Plan X.

Because Entity E and its Governing Board are associated with Church A within the meaning of section 414(e)(3)(D) of the Code, the Committee is therefore considered to be associated with a church or convention or association of churches within the meaning of section 414(e)(3)(A) through its relationship with Entity E and the Governing Board.

Therefore, based on the information provided, it is concluded that Entity E is an organization that shares common religious bonds and convictions with Church A and is therefore associated with Church A under the rules of section 414(e)(3)(D) of the Code. It is further concluded that Entity E employees are employees of an organization, whether a civil law corporation or otherwise, which is exempt from tax under section 501 of the Code and which is associated with a church or convention or association of churches. Under the rules of section 414(e)(3)(B) of the Code, Entity E employees are considered to be church employees for purpose of the church plan rules.

Therefore, with respect to your first ruling request, we conclude that employees of Entity E are church employees with the meaning of section 414(e)(3)(B) of the Code.

In addition, 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 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 deemed employees of a church or convention or association of churches.

Therefore, with respect to your second ruling request, we conclude that Plan X, maintained by Entity E, is associated with a church and qualifies as a church plan pursuant to section 414(e) of the Code.

This letter expresses no opinion as to whether Plan X satisfies the requirements of section 403(b) 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.

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. Should you have any concerns regarding this letter, please contact xxxxxxxxxxxx SE:T:EP:RA:T3, at xxxxxxxxxxxx

Sincerely yours,



Laura B. Warshawsky, Manager
Employee Plans Technical Group 3

Enclosures:

Deleted copy of ruling letter
Notice of Intention to Disclose