



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

200236046

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

T:EP:RA:T3  
ULK:414.00-00

JUN 12 2002

Legend:

- Individual A =
- Brothers B =
- City M =
- Entity C =
- Church K =
- Directory D =
- Plan X =
- Plan A =
- Plan B =
- Plan C =
- Plan D =
- Plan E =
- Plan F =
- State W =

Dear

In letters dated October 12, 2001, and December 6, 2001, your authorized representative requested a ruling on your behalf that the employee benefit plans maintained by Entity C, a State W nonprofit corporation, qualify as church plans under section 414(e) of the Internal Revenue Code.

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

Entity C is a tax-exempt organization with principal offices located in State W. Entity C maintains Plan X, a prototype defined benefit pension plan that provides retirement benefits for Entity C's employees and their beneficiaries. Plan X was established effective

Entity C also maintains Plans A, B, C, D and E, which are welfare benefit plans, for the benefit of its employees. The effective date of Plans A, B, C, D and E was

Finally, Entity C maintains a fringe benefit plan, Plan F, for its employees. Plan F was established

The plans referenced above are collectively referred to as the "Plans".

## 200236046

Entity C is associated with and under the guidance of Church K. The mission of Entity C is to advance the well being of adolescents and the society in which they live. Entity C accomplishes this through the maintenance and operation of residential, day treatment and other services that may be necessary for the care, treatment, rehabilitation and education of dependent or neglected adolescents who are separated from their families.

Entity C is exempt from tax under section 501(c)(3) of the Code.

Individual A is the sole member of Entity C. The Board of Directors of Entity C ("Board") consists of the following individuals: (i) three permanent Board members and (ii) not less than five other Board members who shall be elected by Individual A. Candidates for membership on the Board are presented to Individual A by a nominating committee, consisting of members of the Board.

The three permanent members of the Board occupy the following positions: (i) Individual A of the Archdiocese of City M or his delegate; (ii) Provincial for the Midwest Province of Brothers B or his delegate; and (iii) President of Entity C.

The five other members are elected by Individual A at the annual meeting of Entity C and hold office for three years. To date, Individual A has only appointed members of Church K to serve on the Board.

The major policy decisions regarding the organization, operation, affairs, funds and property of Entity C are made by its Board. These decisions include, but are not limited to: approval and regulation of budgets, fees, capital appropriations, expenditures, salaries and audits; election of officers, employment of agents and delegation of special powers for the day-to-day operation of Entity C; and maintenance, revision and enforcement of the Articles of Incorporation and by-laws of Entity C.

Entity C does not receive private funding. Entity C's services are provided through contracts with public entities. The fees for Entity C's services are based on units of service.

Prior to \_\_\_\_\_, the Plans were nominally administered by the Plans' sponsor, Entity C. Day-to-day administration of the Plans was carried out by Entity C's chief financial officer and human resources department, or its delegate. To the extent necessary to fund and maintain the Plans, a principal function of Entity C, its chief financial officer and the human resources department was the administration and funding of the Plans.

The Plans are administered by a committee (the "Committee"), established \_\_\_\_\_, pursuant to a resolution of the Board, whose sole responsibility is to administer Entity C's employee benefit plans. Certain aspects of the administration responsibilities with respect to Plan X and Plan F have been outsourced. These outsourced duties include only ministerial duties such as plan record keeping and preparation of reporting materials. The Committee remains the entity that interprets plan documents, rules on participant appeals, and performs relevant non-ministerial duties. The Committee is currently composed of Entity C's Vice President of Finance and Chief Financial Officer, and Entity C's Human Resources Manager.

Entity C is listed in Directory D.

Based on the aforementioned facts and representations, your authorized

representative requests a ruling that the Plans are "church plans" within the meaning of section 414(e) of the Code and have constituted church plans as of each Plan's original effective date.

Section 414(e)(1) of the Code 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, otherwise qualified, will qualify 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 a 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 convention or association of churches if the organization shares common religious bonds and convictions with that church or convention or association of churches.

Section 414(e)(4)(A) of the Code provides that if a plan, intended to be a church plan, fails to meet one or more of the church plan requirements and corrects its failure within the correction period, then that plan shall be deemed to meet the requirements of this subsection for the year in which the correction was made and for all prior years. Section 414(e)(4)(C)(i) provides, in pertinent part, that the term "correction period" means the period ending 270 days after the date of mailing by the Secretary of a notice of default with respect to the plan's failure to meet one or more of the church plan requirements.

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).

Entity C is listed in Directory D, which is the official directory of Church K. The Internal Revenue Service has determined that any organization listed in Directory D is an organization described in section 501(c)(3) of the code, that is exempt from tax under section 501(a). Also, any organization that is listed in Directory D shares common religious bonds and convictions with

200236046

Church K and is deemed associated with Church K within the meaning of section 414(e)(3)(D) of the Code.

Accordingly, Entity C is exempt from taxation under section 501(a) and is also associated with Church K. Therefore, pursuant to section 414(e)(3)(B) and (c) of the Code, employees of Entity C are deemed to be employees of Church K and Church K is deemed to be the employer of such employees for purposes of the church plan rules.

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.

You represent that the Plans provide for their administration by the Committee, the members of which were appointed by resolution of the Board of Directors of Entity C. As an organization so appointed, the sole purpose of the Committee is the administration of the Plans. The Committee, as administrator of the Plans, has various powers and duties, including the determination of all questions arising in the administration, interpretation and application of the Plans. Although certain aspects of the administrative responsibilities regarding Plans X and F have been outsourced, these outsourced duties include only ministerial duties. Committee members are appointed by and serve at the pleasure of the Board of Directors of Entity C.

Entity C is listed in Directory D. Any organization listed in Directory D is considered to be associated with Church K. As Entity C is associated with Church K, this assures that the Committee which is controlled by Entity C through its Board, is indirectly associated with Church K. Since the sole purpose of the Committee is the administration of the Plans, the Committee constitutes an organization that is controlled by or associated with Church K, and has as its principal purpose or function the administration or funding of the Plans.

Also, as provided under section 414(e)(4) of the Code, where a plan fails to meet one or more of the church plan requirements and corrects its failure within the correction period, then that plan shall be deemed to meet the requirements of section 414(e) for the year in which the correction is made and for all prior years. On \_\_\_\_\_, the Committee was established to administer the Plans.

Therefore, the administration of the Plans satisfies the requirements regarding church plan administration under section 414(e)(3)(A) of the Code. Accordingly, the Plans are 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 of the Plans for the provision of retirement benefits or welfare benefits for the employees of Entity C.

Therefore, we conclude that Plan X constitutes a church plan within the meaning of section 414(e) of the Code as of its effective date of \_\_\_\_\_; that Plans A, B, C, D, and E constitute church plans within the meaning of section 414(e) as of their effective date of \_\_\_\_\_; and Plan F

**200236046**

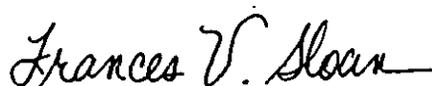
constitutes a church plan within the meaning of section 414(e) as of its effective date of

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.

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

A copy of this letter has been sent to your authorized representative in accordance with a Power of Attorney on file in this office. If you have any questions, please contact

Sincerely yours,



Frances V. Sloan, Manager  
Employee Plans Technical Group 3  
Tax Exempt and Government  
Entities Division

Enclosures:

Deleted Copy of this Letter  
Notice of Intention to Disclose