

201415015



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

JAN 13 2014

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SE: T: EP: RA: T3

Legend

Church A =
Conference W =
State S =
City C =
Corporation E =
Corporation H =
Plan X =

Dear ,

This letter is in response to your request, received June 26, 2012, as supplemented by correspondence dated October 24, 2012, July 16, 2013, July 29, 2013, and August 27, 2013, submitted on your behalf by your authorized representative concerning whether Plan X qualifies as a church plan under section 414(e) of the Internal Revenue Code (the "Code").

The following facts and representations have been submitted under penalties of perjury on your behalf:

Corporation E and Corporation H (collectively, the "Taxpayer") are two State S not-for-profit corporations operating jointly as a continuing care retirement community and exempt from taxation pursuant to Section 501(c)(3) of the Code. The Taxpayer represents that it is both controlled by and associated with Church A.

Within the United States, Church A is organized into jurisdictions. Each jurisdiction is composed of conferences encompassing a certain geographical area, such as Conference W. Conference W is in turn composed of numerous districts which are comprised of individual churches. Each conference meets in session once a year for worship, fellowship and to conduct the business of the conference.

Conference W of Church A, with the support of a charitable donor, founded the Taxpayer to provide elderly persons, on a non-profit, charitable and ecumenical basis, under the sponsorship of Conference W, with housing facilities specially designed to meet their physical, social, psychological and spiritual needs and to provide all services required to meet such needs and to contribute to their health, security, happiness and usefulness in longer life. Upon dissolution of the Taxpayer, other than by merger or consolidation with a similar charitable or religious entity, the assets are to be distributed to Conference W or to other 501(c)(3) organizations.

The Articles of Organization of the Taxpayer, as amended, provide that all directors, twenty-four in number shall be selected by Conference W and that additional ex officio members of the Board of Directors shall be selected by Conference W. The by-laws of each corporation provides that ex officio members must include the Bishop of the City C area, any administrative assistant to said Bishop, any Director of Connectional Ministries and the District Superintendents of three Districts within Conference W.

The Taxpayer established Plan X, a welfare benefit plan, to provide health insurance for the benefit of all full time employees. None of the eligible participants are employed in connection with one or more unrelated trades or businesses within the meaning of section 513 of the Code.

Plan X is administered by the Group Health Plan Committee, (the "Committee") all of whose members are appointed by the Chairperson of the Board of Directors with the Board's approval. Further, the Committee shall be comprised of no less than five members selected from the Directors, Ex Officio Directors, and the Friends of the Taxpayer. The Chairperson, with the approval of the Board, may appoint one or more persons as a member or as chair of any committee who are not members of the Board of Directors. However, a majority of the Committee members must be directors. All members of the Board of Directors are appointed by Conference W.

Based on the preceding facts and representations you request a ruling 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)(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 of the Code); or if less than substantially all of the individuals included in the plan are individuals described in section 414(e)(1) of the Code or section 414(e)(3)(B) of the Code (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 by 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" 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 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 of the Code shall be deemed the employer of any individual included as an employee under section 414(e)(3)(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 the organization shares common religious bonds and convictions with that church or convention or association of churches.

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 a 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; and, 2) is controlled by or associated with a church or convention or association of churches. In addition in

order to be a church plan, the plan must be administered or funded (or both) 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.

The Taxpayer consists of two not-for-profit corporations which are exempt from federal income tax under section 501(a) of the Code as organizations described in section 501(c)(3) of the Code. All members of the Board of Directors of the Taxpayer are appointed by Conference W.

In view of the control of the Taxpayer by Church A through Conference W, we conclude that the Taxpayer is controlled by a church or convention or association of churches within the meaning of section 414(e)(3)(D) of the Code, that the employees of the Taxpayer meet the definition of employee under section 414(e)(3)(D) of the Code, and that they are deemed to be employees of a church or a convention or association of churches by virtue of being employees of an organization 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.

The administrative control of Plan X is vested in the Committee. The Committee is controlled by Church A through the controlling power that Conference W exercises over the Taxpayer's Board of Directors. All members of the Board of Directors are appointed by Conference W. Directors must always comprise a majority of the Committee. The purpose and function of the Committee is the administration of Plan X. Accordingly, Plan X is maintained by an organization that is controlled by a church or convention or association of churches. Administrative control of Plan X is vested in the Committee whose responsibility is the administration of Plan X for the provision of welfare benefits for the deemed employees of a church or convention or association of churches.

Based on the foregoing facts and representations, we conclude that Plan X, maintained by the Taxpayer, is a church plan pursuant to section 414(e) of the Code.

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.

A copy of this letter is being sent to your authorized representative pursuant to a Power of Attorney on file in this office.

201415015

If you have any questions regarding this letter, please contact *****. Please address all correspondence to SE:T:EP:RA:T3

Sincerely yours,



Laura B. Warshawsky, Manager
Employee Plans Technical Group 3

Enclosures:

Deleted copy of letter ruling
Notice 437

cc: