



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

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Uniform Issue List: 414.08-00; 4980B.00-00

SE: T: EP: RA: T1

Attn.:

Legend:

- Sponsoring Employer =
- Entity A =
- Entity B =
- Entity C =
- Entity D =
- Entity E =
- Entity F =
- Entity G =
- Entity H =
- Entity I =
- Entity J =
- Entity K =
- Entity L =

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- Entity M =
- Entity N =
- Entity O =
- Entity P =
- Entity Q =
- Entity R =
- Law S =
- Law V =
- State T =
- Court U =
- County V =
- Organization W =
- Welfare Plan A =
- Welfare Plan B =
- Welfare Plan C =
- Welfare Plan D =
- Welfare Plan E =
- Welfare Plan F =
- Welfare Plan G =
- Welfare Plan H =
- Welfare Plan I =
- Welfare Plan J =
- Welfare Plan K =

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- Welfare Plan L =
- Welfare Plan M =
- Welfare Plan N =

- Welfare Plan O =
- Welfare Plan P =
- Church U =
- Plan W =
- Plan X =

- Plan Y =

- Plan Z =



This letter is in response to a private letter ruling request dated December 22, 2003, as supplemented by additional correspondence dated May 6, 2004, and September 10, 2004, submitted by your authorized representative, concerning whether Plan X, Plan Y, Plan Z, and Welfare Plans A through P are church plans under section 414(e) of the Internal Revenue Code ("Code").

The following facts and representations have been submitted:

The Sponsoring Employer is the parent organization for a controlled group of organizations

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consisting of the parent and five subsidiary organizations which constitute the participating employers. Each organization is exempt from tax in accordance with Code section 501(c)(3).

The Internal Revenue Service (the "Service") ruled in a letter dated [REDACTED] that Plan X and Plan Y are church plans within the meaning of Code section 414(e). The actual and proposed participating employers at that time were: Entities A, C, D, E, F, G, and H. Since that time, there have been changes to the Plans and the participating entities.

The restatement of Plan X received a favorable determination letter from the Service on [REDACTED]. In addition, Plan X received a favorable GUST determination letter on [REDACTED]. Plan Y received a favorable GUST determination letter on [REDACTED].

Effective [REDACTED] Entity B, pursuant to Code section 403(b), adopted Plan Z for its employees. The plan administrative committee that administered Plan W (the Entity B Employees' Pension Plan) also administered Plan Z. The members of the plan administrative committee of Plan W were appointed by, and served at the pleasure of, the Board of Directors of Entity B. By board resolution adopted [REDACTED] the Sponsoring Employer became the sponsor of Plan Z, and the Plan Administrative Committee appointed by, and serving at the pleasure of, the Board of Directors of the Sponsoring Employer became the plan administrator of Plan Z. Effective [REDACTED] Plan Z covers the employees of the Sponsoring Employer and Entities A, B, C, D, and E (Entity E is now known as Entity I).

Effective [REDACTED] the Board of Directors of Entity B established Plan W. On [REDACTED] the Service ruled that Plan W was a church plan within the meaning of Code section 414(e) since its establishment. The [REDACTED] restatement of Plan W received a favorable determination letter from the Service on [REDACTED]. The plan administrative committee of Plan W never made a Code section 410(d) election. A statement has never been filed to this effect with the annual return required under section 6058(a) or with the request for a determination letter relating to qualification of the plan under section 401(a).

Effective [REDACTED] Plan W was merged into Plan X. Effective [REDACTED] Plan X covers the employees of the Sponsoring Employer and Entities A, B, C, D, and E (Entity E is now known as Entity I).

From [REDACTED] through [REDACTED] forty-eight employees of Entity B were employed at a location that was a joint venture between Entity B and Entity J, the parent corporation of Entities K and L. These employees constituted [REDACTED] % of the employees employed by Entity B. Nineteen of the [REDACTED] employees participated in Plan X representing [REDACTED] % of the total participant population of [REDACTED]. The nature of the services performed by these employees did not materially change from their services performed for Entity B. The joint venture was the management of a retirement community. The retirement community was merged into Entity B as of [REDACTED]. Plan X continues to cover the eligible employees employed at the retirement community by Entity B.

Effective [REDACTED] the Sponsoring Employer became the sponsor of Plan Y. Effective as of that date, Plan Y covers the employees of the Sponsoring Employer and Entities A, B, C, D,

and E (Entity E is now known as Entity I). From [REDACTED] through [REDACTED] [REDACTED] forty-eight employees of Entity B were employed at a location that was a joint venture between Entity B and Entity J as described above with respect to Plan X. Nineteen of the 48 employees participated in Plan Y representing [REDACTED] % of the total participant population of [REDACTED]. Plan Y continues to cover the eligible employees employed at the retirement community by Entity B.

Until [REDACTED] Entity A sponsored Plan X and Plan Y. The participating employers at that time were: Entities A, C, D, and E (Entity E is now known as Entity I). Effective [REDACTED] [REDACTED] Entity A and Entity B became subsidiaries of the Sponsoring Employer. Effective [REDACTED] [REDACTED] Entity A and Entity B completed their restructuring under the Sponsoring Employer and effective [REDACTED] the Sponsoring Employer became the sponsor of Plans X and Y. The Sponsoring Employer's Board of Directors maintains the Plan Administrative Committee, the sole purpose of which is to administer the retirement and welfare benefit plans. The members of the Plan Administrative Committee were appointed by, and serve at the pleasure of, the Board of Directors of the Sponsoring Employer.

Plans X, Y, Z, and Welfare Plans A through P cover only employees of the Sponsoring Employer and the Entities A, B, C, D, and E (Entity E is now known as Entity I). The Sponsoring Employer has no for-profit subsidiaries and, therefore, Plans X, Y and Z do not cover any employees of any for-profit corporations.

The Plan Administrative Committee or "Committee" was originally established [REDACTED] by Entity C. Its original purpose was the administration of Plan X. As of [REDACTED] Entity A became the sponsor of Plan X and Committee members were appointed by, and served at the pleasure of, the Board of Directors of Entity A until [REDACTED]. The Committee also assumed administration of Plan Y effective with Plan Y's establishment on [REDACTED]. The Committee has never made a Code section 410(d) election on behalf of Plan X or Plan Y. A statement has never been filed to this effect with the annual return required under Code section 6058(a) or with the request for a determination letter relating to qualification of the Plans under section 401(a).

Effective [REDACTED] the Sponsoring Employer became the sponsor of Plans X and Y and Welfare Plans A through F, H, I, K, L, and P. Also effective on this date, the Plan Administrative Committee came directly under the control of the Board of Directors of the Sponsoring Employer. The members of the Plan Administrative Committee are appointed by, and serve at the pleasure of, the Board of Directors of the Sponsoring Employer. Until board resolutions were adopted in [REDACTED] by certain participating Entities, the plan administrative committee of Entity A continued to administer Welfare Plan N; the plan administrative committee of Entity B continued to administer Welfare Plans G and O; the plan administrative committee of Entity C continued to administer Welfare Plan J; and the plan administrative committee of Entity D continued to administer Welfare Plan M. Effective [REDACTED] the Plan Administrative Committee of the Sponsoring Employer now administers all employee benefit plans of the Sponsoring Employer and its subsidiaries, that is Plan X, Plan Y, Plan Z, and Welfare Plans A through P.

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Entities A and B formed the Sponsoring Employer effective [REDACTED] as a nonprofit corporation incorporated under Law S in State T. Its current mission statement contains a commitment to acts of service. The Board of Directors' ethical principles declare that the Sponsoring Employer is a member of Church U and will operate as a faith-based service organization. The Sponsoring Employer's bylaws specifically state the Sponsoring Employer's intention to be affiliated with Church U. The Sponsoring Employer is listed in Church U's Yearbook as one of its Social Ministry Organizations. Church U's Yearbook is a listing of all organizations affiliated with Church U, including churches and regional organizations, as well as Social Ministry Organizations. The Sponsoring Employer is listed on page 2 of the Group Exemption List filed with the Service by Church U in [REDACTED]

The Sponsoring Employer is overseen by a Board of Directors. The Board is required to consist of between 15 and 21 persons. A majority of the Board is to be elected by a majority vote of the Bishops of the Entities M, N, O, P, and Q. The remaining Directors are elected by the then current members of the Board. The Board is required to include at least one Director who is a member of a congregation of each of Entities M, N, O, P, and Q. At least [REDACTED]% of the nominees presented to these Bishops are required to be active members of a Church U congregation.

The Sponsoring Employer administers and operates its health care ministry through programs and retirement/nursing centers which are located in numerous cities. The Sponsoring Employer maintains the contractual relationship with Entity R that was originally established with Entity B, whereby Entity R allocates funds to the Sponsoring Employer to be used to support centers which provide adoption services, nursing care, professional training, congregational counseling, and immigration and refugee advocacy. The nursing homes retain chaplains whose duties include conducting religious worship and ministering of sacerdotal functions.

Entity A is a nonprofit corporation incorporated under Law S in State T. The mission statement of Entity A confirms it is a service organization dedicated to providing health care services to the elderly, handicapped, and needy. Entity A is listed in Church U's Yearbook as one of its Social Ministry Organizations. Entity A's bylaws specifically state Entity A's intention to be affiliated with Church U. Entity A intends to function in accordance with the requirements and interdependent accountabilities established by Organization W, Entity M, and other Church U judicatories as appropriate.

Effective prior to [REDACTED] Entity A was overseen by a Board of Directors that was required to consist of between 15 and 21 persons. At least a majority of the Board members were required at all times to be members of Church U congregations. At least [REDACTED]% of the members of the Board were required at all times to be rostered clergy of Church U. In addition, a majority of the positions to be filled each year were to be elected by Entity M.

Effective [REDACTED] Entity A continues to be affiliated with Church U; however, its sole member became the Sponsoring Employer. Upon dissolution of Entity A, all corporate assets are required to become the property of the Sponsoring Employer. Membership on the current Board of Directors of Entity A is required to be seven persons. Five of the Directors are to be individuals who are concurrently serving on the Executive Committee of the Board of Directors of the Sponsoring Employer. The other two Directors are to be the Chief Operating Officer and

Chief Financial Officer of the Sponsoring Employer. The President and Chief Executive Officer of Entity A is required to be the President and Chief Executive Officer of the Sponsoring Employer. At least a majority of the members of the Board of Directors are required, at all times, to be members of Church U congregations. Proposed changes to Entity A's mission statement and the sections of its bylaws that deal with the requirements for Church U affiliation are required to be submitted to the Sponsoring Employer for approval.

Entity B is a nonprofit corporation organized on [REDACTED] under Law V in State T. It was created by Entities N, O, and P. Entity B's purpose were to provide a broad program of social, health care, and other nonmedical services to various communities. Entity B is listed in the Church U Yearbook as one of its Social Ministry Organizations. Entity B's Articles of Incorporation state that Entity B is to be affiliated with Church U.

Effective prior to [REDACTED] Entity B was affiliated with Church U and its creating Entities. Upon dissolution of Entity B, all corporate assets were required to become the property of the creating Entities. Membership on the Board of Directors of Entity B was required to be 17 persons. Each of the three creating Entities was to elect four and Entity B's Board of Directors was to elect five Directors. In addition, Entity B's Articles of Incorporation required that all 17 Directors be confirmed members in good standing of Church U congregations. Thus, the three creating Entities (Entities N, O, and P) were in control of Entity B through their power to appoint or indirectly elect the full complement of Entity B's Board of Directors.

Entity B maintained a contractual relationship with Entity R whereby the latter allocated funds to Entity B to be used to administer and operate its health care ministry through programs and retirement/nursing centers which are located in numerous cities and which provide a variety of health care and social services including nursing homes, independent living units, family counseling and immigration and refugee advocacy. The nursing homes retain chaplains whose duties include conducting religious worship and ministering of sacerdotal functions.

Effective [REDACTED] Entity B continues to be affiliated with Church U; however, its sole member became the Sponsoring Employer. Upon dissolution of Entity B, all corporate assets are required to become the property of the Sponsoring Employer. Membership on the current Board of Directors of Entity B is required to be seven persons. Five of the Directors are to be individuals who are concurrently serving on the Executive Committee of the Board of Directors of the Sponsoring Employer. The other two Directors are to be the Chief Operating Officer and Chief Financial Officer of the Sponsoring Employer. At least a majority of the members of the Board of Directors are required, at all times, to be members of Church U congregations. The President and Chief Executive Officer of Entity B is required to be the President and Chief Executive Officer of the Sponsoring Employer. Proposed changes to Entity B's mission statement and the sections of its bylaws that deal with the requirements for Church U affiliation are required to be submitted to the Sponsoring Employer for approval.

Entity C is a nonprofit corporation organized on [REDACTED], incorporated by order of Court U. Its Articles of Incorporation were amended and restated on [REDACTED] under Law S of State T. Entity C is dedicated to serving the elderly, handicapped, and needy. Entity C is listed in the Church U Yearbook as one of its Social Ministry Organizations.

Prior to [REDACTED] membership on the Board of Directors of Entity C was required to be between 10 and 21 persons. A minimum of one-third of the Board members were required to be members of Church U congregations. Board members were elected by Entity A. Any changes to the Board of Directors were required to be approved by Entity A, and vacancies were filled by Entity A.

Effective January 1, 2000, Entity C continues to be affiliated with Church U and its sole member continues to be Entity A as controlled by the Sponsoring Employer. Upon dissolution of Entity C, all corporate assets are required to become the property of Entity A. Membership on the current Board of Directors of Entity C is required to be seven persons. Five of the Directors are to be individuals who are concurrently serving on the Executive Committee of the Board of Directors of the Sponsoring Employer. The other two Directors are to be the Chief Operating Officer and Chief Financial Officer of the Sponsoring Employer.

Entity D is a nonprofit corporation organized on [REDACTED] under Law V in State T. Its Articles of Incorporation were amended and restated on [REDACTED] under Law S of State T. Entity D is dedicated to serving the elderly, handicapped, and needy.

Prior to [REDACTED], membership on the Board of Directors of Entity D was required to be between 10 and 21 persons. A minimum of one-third of the Board members were required to be members of Church U congregations. Board members were elected by Entity A. Any changes to the Board of Directors were required to be approved by Entity A, and vacancies were filled by Entity A.

Effective [REDACTED] Entity D continues to be affiliated with Church U and its sole member continues to be Entity A as controlled by the Sponsoring Employer. Upon dissolution of Entity D, all corporate assets are required to become the property of Entity A. Membership on the current Board of Directors of Entity D is required to be seven persons. Five of the Directors are to be individuals who are concurrently serving on the Executive Committee of the Board of Directors of the Sponsoring Employer. The other two Directors are to be the Chief Operating Officer and Chief Financial Officer of the Sponsoring Employer.

Entity E is a nonprofit corporation incorporated under Law S in State T. Entity E was originally formed for the purpose of providing management services to Entity F, Entity G, Entity H, and any other subsidiary of Entity E or any other business enterprises as determined by the Board of Directors to provide through these services, direction, organization, strategic planning, and operational leadership through a team of professionals as required for the fulfillment of the mission and social responsibility of the organizations managed and to provide for their economic stability; to assess the health and health related needs of the community served and, when appropriate, to plan programs to meet these needs. Entity E is listed in the Church U Yearbook as one of its Social Ministry Organizations.

Entity E and Entity A entered into an agreement on [REDACTED] in which Entity A became Entity E's sole member and Entity E became a wholly owned subsidiary of Entity A. In addition, Entity A was required to approve most corporate actions of Entity E. Prior to [REDACTED] over one-half of the members of Entity E's Board of Directors were required to

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be approved by Entity A. Any elected member of the Board of Directors of Entity E could be removed at any time, for any reason, by Entity A. Entity E, in turn, had three subsidiaries: Entities F, G, and H. On [REDACTED] Entity E gained a fourth subsidiary, Entity I. Each of the subsidiaries was dedicated to promote health care through the provision of nursing care or other services. On [REDACTED] Entity E sold the assets of the home health business to an unrelated non-profit organization. There were no corporate changes as a result of this sale. Subsequent to the sale of the home health business, each of the four subsidiaries (Entity F, Entity G, Entity H, and Entity I) were merged into and with Entity E, effective as of [REDACTED]. On [REDACTED] the remaining entity, Entity E, changed its name to that of the former Entity I.

According to Entity E's current bylaws that became effective [REDACTED] membership on the Board of Directors of Entity E is required to be seven persons. Five of the Directors are to be individuals who are concurrently serving on the Executive Committee of the Board of Directors of the Sponsoring Employer. The other two Directors are to be the Chief Operating Officer and Chief Financial Officer of the Sponsoring Employer.

Entities F, G, and H were nonprofit corporations incorporated under Law S or Law V in State T. They had been subsidiaries of Entity E since [REDACTED]. Their purpose was to provide a variety of health services to individuals and their families in various community settings, among which included County V. The parent corporation, Entity E, was required to approve their fundamental transactions. Entity E elected the Board of Directors of each of the subsidiaries Entity F, Entity G, and Entity H. Since over one-half of the members of the Board of Directors of Entity E were required to be approved by Entity A, Entity A thereby controlled Entity E, and through Entity E, its subsidiaries Entity F, Entity G, and Entity H.

Entity I was a nonprofit corporation incorporated under Law S in State T. Its mission statement was to provide care and comfort to terminal patients and their loved ones in their home settings and serve as an educational resource in the community on end of life issues. Entity I was affiliated with Church U through its sole member, Entity A (and, in turn, Entity A's sole member, the Sponsoring Employer). Upon dissolution of Entity I, all corporate assets were required to become the property of Entity A.

Based on the above facts, the Sponsoring Employer requests the following rulings:

- 1) Plan X, as the successor on [REDACTED] of the Pension Plan of Entity A and the recipient of the assets and liabilities of the Entity B Employees' Pension Plan, continues to be a church plan within the meaning of Code section 414(e) since December 22, 1998, the date of its last church plan determination.
- 2) Plan Y, as the successor on [REDACTED] of the Entity A 401(k) Plan, continues to be a church plan within the meaning of Code section 414(e) since [REDACTED] the date of its last church plan determination.
- 3) The Thrift Plan for Employees of Entity B has been a church plan within the meaning of Code section 414(e) since its establishment on [REDACTED]. The Thrift Plan for Employees

of Entity B continues after Entity B became a subsidiary of the Sponsoring Employer on [REDACTED] to be a church plan within the meaning of section 414(e) for the purposes of Code section 403(b)(2) until it was repealed by the Economic Growth and Tax Relief Reconciliation Act of 2001 effective for years beginning after [REDACTED] Plan Z, as the successor on May 22, 2002 of the Thrift Plan for Employees of Entity B, continues to be a church plan within the meaning of Code section 414(e).

- 4) Welfare Plans A through P satisfy the requirements of Code section 414(e) for a church plan.
- 5) As church plans with respect to which the election provided by Code section 410(d) has not been made, Plans X and Y are exempt from the coverage requirements of section 410 (other than the requirements of section 410(c)(2)), and are exempt from the vesting requirements of section 411 (other than the requirements of section 411(e)(2)).
- 6) As a church plan with respect to which the election provided by Code section 410(d) has not been made, Plan X is exempt from the funding requirements of section 412.
- 7) As church plans, Welfare Plans E through N are exempt from the health care continuation requirements of Code section 4980B.

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, as enacted under the Employee Retirement Income Security Act of 1974 (ERISA), Pub. L. 93-406, 1974-3 C.B. 1, as amended from time to time. 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).

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.

Section 414(e)(2) of the Code provides the term "church plan" does not include a plan: (A) which 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, (B) if less than substantially all of the individuals included in the plan are individuals described in paragraph (1) or (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 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

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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) of section 414(e)(3).

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.

Section 1.414(e)-1(d)(2) of the Income Tax Regulations provides that for the purposes of section 414(e), an agency of a church means an organization which is exempt from tax under section 501 and which is either controlled by, or associated with, a church. For example, an organization, a majority of whose officers or directors are appointed by a church's governing board or by officials of a church, is controlled by a church within the meaning of this paragraph. An organization is associated with a church if it shares common religious bonds and convictions with that church.

Section 410(c)(2) states that a plan described in paragraph (1) of section 410(c) shall be treated as meeting the requirements of this section for purposes of section 401(a), except that in the case of a plan described in subparagraph (B), (C), or (D) of paragraph (1), this paragraph shall apply only if such plan meets the requirements of section 401(a)(3) (as in effect on September 1, 1974).

Section 410(d) of the Code provides: (1) if the church or convention or association of churches which maintains any church plan makes an election under this subsection (in such form and manner as the Secretary may by regulations prescribe), then the provisions relating to participation, vesting, funding, etc. (as in effect from time to time) shall apply to such church plan as if such provisions did not contain an exclusion for church plans; and (2) an election under this subsection with respect to any church plan shall be binding with respect to such plan, and, once made, shall be irrevocable. Section 410 provides minimum participation standards. Section 411 provides minimum vesting standards. Section 412 provides minimum funding standards.

Section 411(e)(2) states that a plan described in section 411(e)(1) shall be treated as meeting the requirements of this section for purposes of section 401(a), if such plan meets the vesting requirements resulting from the application of sections 401(a)(4) and 401(a)(7) as in effect on September 1, 1974.

Section 4980B of the Code provides an excise tax for failure to satisfy the continuation coverage requirements of group health plans. Section 4980B(d)(3) provides that the tax shall not apply to any church plan (within the meaning of section 414(e)).

Section 54.4980B-2, Q&A-4 of the Income Tax Regulations states that all group health plans are subject to COBRA except group health plans described in paragraph (b) of this Q&A-4. Paragraph (b) includes church plans within the meaning of Code section 414(e).

The Service ruled in a letter dated [REDACTED] that Plan X and Plan Y are church plans within the meaning of Code section 414(e). Plan X and Plan Y received GUST determination letters on [REDACTED] and [REDACTED] respectively. Plan W was merged into Plan X effective December 31, 2000. Currently, participating in Plans X, Y, Z, and Welfare Plans A through P are the employees of the Sponsoring Employer and the Entities A, B, C, D, and E (Entity E is now known as Entity I).

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 the organization: (1) is exempt from tax under section 501; (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).

In this case, the Sponsoring Employer, Entity A and Entity B are nonprofit corporations established under the auspices of Church U. In furtherance of the teachings and tenets of Church U, the Entities are dedicated to providing various health care and social services to the community. Affiliated with Entity A are subsidiary Entities C, D, and E. Entity E is now known as Entity I after each of its own subsidiaries, Entities F, G, H, and I, merged into and with Entity E. The Sponsoring Employer and each of these participating employers are exempt from tax under Code section 501(a). All of these subsidiary Entities participate in the health care ministry established by the Sponsoring Employer, Entity A, and Entity B.

In summary, with respect to Plan X and Plan Y, [REDACTED] was the date of the last church plan determination regarding Plan X and Plan Y. From this date until [REDACTED] Plan X and Plan Y covered the employees of Entities of A, C, D, E, F, G, H and I. Effective [REDACTED] Entities A and B formed the Sponsoring Employer and became subsidiaries of the Sponsoring Employer on [REDACTED]. On [REDACTED] Entity E and subsidiary organizations F, G, H, and I merged. Effective [REDACTED] sponsorship of Plan X and Plan Y was transferred by Entity A to the Sponsoring Employer. Going forward from [REDACTED] Plan X and Plan Y now cover the employees of the Sponsoring Employer and Entities A, B, C, D, and E (now known as Entity I).

Regarding the Sponsoring Employer's control by Church U, since its creation effective [REDACTED] a majority of the Board of Directors of the Sponsoring Employer is to be elected by a majority vote of the Bishops of the Entities M, N, O, P, and Q. The remaining

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Directors are elected by the then current members of the Board. The Board is required to include at least one Director who is a member of a congregation of each of Entities M, N, O, P, and Q. At least 75% of the nominees presented to these Bishops are required to be active members of a Church U congregation.

Regarding the Sponsoring Employer's association with Church U, since its creation effective September 1, 1999, the Sponsoring Employer's bylaws specifically state the Sponsoring Employer's intention to be affiliated with Church U. In addition, the Sponsoring Employer is listed in Church U's Yearbook as one of its Social Ministry Organizations.

Regarding Entity A's affiliation with Church U, for the period [REDACTED] to [REDACTED] Entity A was overseen by a Board of Directors that was required to consist of between [REDACTED] and [REDACTED] persons. At least a majority of the Board members were required at all times to be members of Church U congregations. At least [REDACTED]% of the members of the Board were required at all times to be rostered clergy of Church U. In addition, a majority of the positions to be filled each year were to be elected by Entity M. Effective [REDACTED] Entity A continues to be affiliated with Church U; however, its sole member became the Sponsoring Employer. Upon dissolution of Entity A, all corporate assets are required to become the property of the Sponsoring Employer. Membership on the current Board of Directors of Entity A is required to be seven persons. Five of the Directors are to be individuals who are concurrently serving on the Executive Committee of the Board of Directors of the Sponsoring Employer. The other two Directors are to be the Chief Operating Officer and Chief Financial Officer of the Sponsoring Employer. The President and Chief Executive Officer of Entity A is required to be the President and Chief Executive Officer of the Sponsoring Employer. At least a majority of the members of the Board of Directors are required, at all times, to be members of Church U congregations. Proposed changes to Entity A's mission statement and the sections of its bylaws that deal with the requirements for Church U affiliation are required to be submitted to the Sponsoring Employer for approval.

Regarding Entity A's association with Church U for the period [REDACTED] to present, Entity A has been listed in Church U's Yearbook as one of its Social Ministry Organizations. In addition, Entity A's bylaws specifically state Entity A's intention to be affiliated with Church U.

Regarding Entity B's affiliation with Church U, for the period [REDACTED] to [REDACTED] Entity B was affiliated with Church U and its creating Entities N, O, and P. Upon dissolution of Entity B, all corporate assets were required to become the property of the creating Entities. Membership on the Board of Directors of Entity B was required to be 17 persons. Each of the three creating Entities was to elect four and Entity B's Board of Directors was to elect five Directors. In addition, Entity B's Articles of Incorporation required that all 17 Directors be confirmed members in good standing of Church U congregations. Thus, the three creating Entities (Entities N, O, and P) were in control of Entity B through their power to appoint or indirectly elect the full complement of Entity B's Board of Directors. Effective [REDACTED] Entity B continues to be affiliated with Church U; however, its sole member became the Sponsoring Employer. Upon dissolution of Entity B, all corporate assets are required to become the property of the Sponsoring Employer. Membership on the current Board of Directors of Entity B is required to be seven persons. Five of the Directors are to be individuals who are

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concurrently serving on the Executive Committee of the Board of Directors of the Sponsoring Employer. The other two Directors are to be the Chief Operating Officer and Chief Financial Officer of the Sponsoring Employer. At least a majority of the members of the Board of Directors are required, at all times, to be members of Church U congregations. The President and Chief Executive Officer of Entity B is required to be the President and Chief Executive Officer of the Sponsoring Employer. Proposed changes to Entity B's mission statement and the sections of its bylaws that deal with the requirements for Church U affiliation are required to be submitted to the Sponsoring Employer for approval.

Regarding Entity B's association with Church U, since [REDACTED] Entity B has had a contractual relationship with Entity R whereby the latter allocated funds to Entity B to be used to administer and operate its health care ministry through programs and retirement/nursing centers which are located in numerous cities and which provide a variety of health care and social services including nursing homes, independent living units, family counseling and immigration and refugee advocacy. The nursing homes retain chaplains whose duties include conducting religious worship and ministering of sacerdotal functions.

Regarding Entity C's affiliation with Church U, for the period [REDACTED] membership on the Board of Directors of Entity C was required to be between 10 and 21 persons. A minimum of one-third of the Board members were required to be members of Church U congregations. Board members were elected by Entity A. Any changes to the Board of Directors were required to be approved by Entity A, and vacancies were filled by Entity A. Effective [REDACTED] Entity C continues to be affiliated with Church U and its sole member continues to be Entity A as controlled by the Sponsoring Employer. Upon dissolution of Entity C, all corporate assets are required to become the property of Entity A. Membership on the current Board of Directors of Entity C is required to be seven persons. Five of the Directors are to be individuals who are concurrently serving on the Executive Committee of the Board of Directors of the Sponsoring Employer. The other two Directors are to be the Chief Operating Officer and Chief Financial Officer of the Sponsoring Employer.

Regarding Entity D's affiliation with Church U for the period [REDACTED] to [REDACTED] membership on the Board of Directors of Entity D was required to be between 10 and 21 persons. A minimum of one-third of the Board members were required to be members of Church U congregations. Board members were elected by Entity A. Any changes to the Board of Directors were required to be approved by Entity A, and vacancies were filled by Entity A. Effective [REDACTED] Entity D continues to be affiliated with Church U and its sole member continues to be Entity A as controlled by the Sponsoring Employer. Upon dissolution of Entity D, all corporate assets are required to become the property of Entity A. Membership on the current Board of Directors of Entity D is required to be seven persons. Five of the Directors are to be individuals who are concurrently serving on the Executive Committee of the Board of Directors of the Sponsoring Employer. The other two Directors are to be the Chief Operating Officer and Chief Financial Officer of the Sponsoring Employer.

Entity E and subsidiary Entities F, G, H, and I are affiliated with Church U through Entity A. Entity E and Entity A entered into an agreement on [REDACTED] in which Entity A became Entity E's sole member and Entity E became a wholly owned subsidiary of Entity A. In

addition, Entity A was required to approve most corporate actions of Entity E. Prior to [REDACTED] over one-half of the members of Entity E's Board of Directors were required to be approved by Entity A. Any elected member of the Board of Directors of Entity E could be removed at any time, for any reason, by Entity A. Entity E, in turn, had three subsidiaries: Entities F, G, and H. On [REDACTED] Entity E gained a fourth subsidiary, Entity I. Each of the subsidiaries was dedicated to promote health care through the provision of nursing care or other services. On [REDACTED] Entity E sold the assets of the home health business to an unrelated non-profit organization. There were no corporate changes as a result of this sale. Subsequent to the sale of the home health business, each of the four subsidiaries (Entity F, Entity G, Entity H, and Entity I) were merged into and with Entity E, effective as of [REDACTED]. On [REDACTED] the remaining entity, Entity E, changed its name to that of the former Entity I.

According to Entity E's current bylaws that became effective [REDACTED] membership on the Board of Directors of Entity E is required to be seven persons. Five of the Directors are to be individuals who are concurrently serving on the Executive Committee of the Board of Directors of the Sponsoring Employer. The other two Directors are to be the Chief Operating Officer and Chief Financial Officer of the Sponsoring Employer.

Entities F, G, and H had been subsidiaries of Entity E since [REDACTED]. Entity E was required to approve their fundamental transactions. Entity E elected the Board of Directors of each of the subsidiaries Entity F, Entity G, and Entity H. Since over one-half of the members of the Board of Directors of Entity E were required to be approved by Entity A, Entity A thereby controlled Entity E and, through Entity E, its subsidiaries Entity F, Entity G, and Entity H.

Entity I was affiliated with Church U through its sole member, Entity A (and, in turn, Entity A's sole member, the Sponsoring Employer).

Regarding Entity E's (now known as Entity I) association with Church U, Entity E is listed in the Church U Yearbook as one of its Social Ministry Organizations.

Therefore, continuing from [REDACTED], in the case of each of the Entities A, B, C, D, and E, and since [REDACTED] in the case of the Sponsoring Employer, the employees of each of these entities are employees of an organization which is exempt from tax under Code section 501, and which is controlled by or associated with a church or a convention or association of churches within the meaning of section 414(e)(3)(B). Thus, pursuant to section 414(e)(3)(C), the employees of the Sponsoring Employer and of Entities A, B, C, D, and E (now known as Entity I) are deemed to be employees of Church U and Church U is deemed the employer of such employees.

However, an organization that is not itself a church or a convention or association of churches, must demonstrate that its retirement or welfare plan is maintained by an organization described in Code section 414(e)(3)(A). To be described in section 414(e)(3)(A), an organization must be exempt from tax under section 501; it must have as its principal purpose or function the administration or funding of the plan; and it must also be controlled by or associated with a church or a convention or association of churches.

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The Plan Administrative Committee or "Committee" was originally established [REDACTED] by Entity C. Its original purpose was the administration of Plan X. As of [REDACTED] Entity A became the sponsor of Plan X and Committee members were appointed by, and served at the pleasure of, the Board of Directors of Entity A until [REDACTED]. The Committee also assumed administration of Plan Y effective with Plan Y's establishment on [REDACTED]. The Committee has never made a Code section 410(d) election on behalf of Plan X or Plan Y. A statement has never been filed to this effect with the annual return required under Code section 6058(a) or with the request for a determination letter relating to qualification of the Plans under section 401(a).

Effective [REDACTED] the Sponsoring Employer became the sponsor of Plans X and Y and Welfare Plans A through F, H, I, K, L, and P. Also effective on this date, the Plan Administrative Committee came directly under the control of the Board of Directors of the Sponsoring Employer. The members of the Plan Administrative Committee are appointed by, and serve at the pleasure of, the Board of Directors of the Sponsoring Employer. Until board resolutions were adopted in [REDACTED] by certain participating Entities, the plan administrative committee of Entity A continued to administer Welfare Plan N; the plan administrative committee of Entity B continued to administer Welfare Plans G and O; the plan administrative committee of Entity C continued to administer Welfare Plan J; and the plan administrative committee of Entity D continued to administer Welfare Plan M. From its adoption by Entity B on [REDACTED] until [REDACTED] Plan Z was administered by the plan administrative committee that administered Plan W. On [REDACTED] the Plan Administrative Committee of the Sponsoring Employer became the plan administrator of Plan Z. Effective [REDACTED] the Plan Administrative Committee of the Sponsoring Employer now administers all employee benefit plans of the Sponsoring Employer and its subsidiaries, that is Plan X, Plan Y, Plan Z, and Welfare Plans A through P.

Consequently, from [REDACTED] in the case of Plan X, Plan Y, and Welfare Plans A through P, and from [REDACTED] in the case of Plan Z, these plans have been administered by an organization of the type described in Code section 414(e)(3)(A).

The church plan status of Plan X and Plan Y is not altered by the employment of a small percentage of Entity B's employees under a joint venture with Entity J. Although Entity J is not a church organization, the nature of the business (operation of a retirement community) and the services performed by the Entity B employees was substantially related to the performance of Entity B's church-related function of administering and operating its health care ministry through retirement/nursing centers. These employees constituted [REDACTED]% of the employees employed by Entity B. Nineteen such employees participated in Plan X and Plan Y representing [REDACTED]% of the total participant population of [REDACTED] and [REDACTED]% of the total participant population of [REDACTED] respectively.

Accordingly with regard to your ruling requests, we rule:

- 1) Plan X, as the successor on [REDACTED] of the Pension Plan of Entity A and the recipient of the assets and liabilities of the Entity B Employees' Pension Plan, continues to be a church

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plan within the meaning of Code section 414(e) since [REDACTED], the date of its last church plan determination.

2) Plan Y, as the successor on [REDACTED] of the Entity A 401(k) Plan, continues to be a church plan within the meaning of Code section 414(e) since [REDACTED] the date of its last church plan determination.

3) The Thrift Plan for Employees of Entity B has been a church plan within the meaning of Code section 414(e) since its establishment on [REDACTED]. The Thrift Plan for Employees of Entity B continues after Entity B became a subsidiary of the Sponsoring Employer on [REDACTED] to be a church plan within the meaning of section 414(e) for the purposes of Code section 403(b)(2) until it was repealed by the Economic Growth and Tax Relief Reconciliation Act of 2001 effective for years beginning after [REDACTED]. Plan Z, as the successor on [REDACTED] of the Thrift Plan for Employees of Entity B, continues to be a church plan within the meaning of section 414(e).

4) Welfare Plans A through P satisfy the requirements of Code section 414(e) for a church plan.

5) As church plans with respect to which the election provided by Code section 410(d) has not been made, Plans X and Y are exempt from the coverage requirements of section 410 (other than the requirements of section 410(c)(2)), and are exempt from the vesting requirements of section 411 (other than the requirements of section 411(e)(2)).

6) As a church plan with respect to which the election provided by Code section 410(d) has not been made, Plan X is exempt from the funding requirements of section 412.

You have represented that Welfare Plans E through N fall within the meaning of the term "group health plan" in Code section 4980B(g)(12).

Since Welfare Plans E through N are considered church plans under Code section 414(e), we also conclude:

7) As church plans, Welfare Plans E through N are exempt from the health care continuation requirements of Code section 4980B.

This letter expresses no opinion as to whether Plans X and Y satisfy the requirements for plan qualification found in Code sections 401(a) and 401(k). Such determinations are under the jurisdiction of the Employee Plans Area Manager, Mid-Atlantic Area. In addition, this letter expresses no opinion as to Plan Z's status under section 403(b).

This letter is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Pursuant to the power of attorney on file with this office, a copy of this ruling letter is being sent to your authorized representative.

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If you have any questions, please call
283-9610.

, SE:T:EP:RA:T1 (Badge #50-00751), at (202)

Sincerely yours,

Carlton A. Watkins

Manager
Employee Plans Technical Group 1

Enclosures:

Deleted Copy of this Letter
Notice of Intention to Disclose, Notice 437

cc: