



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

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Contact Person:

UIL Number:
6033.01-00

Identification Number:

Telephone Number:

Employer Identification Number:

Legend:

L =

State a =

City x =

y =

Date z =

Date aa =

Dear

This letter is in response to your ruling request under section 6033(a)(2)(A)(i) of the Internal Revenue Code.

FACTS

L is a captive insurance company formed under the laws of State a to provide casualty insurance coverage exclusively to the Roman Catholic Diocese of City x (the "Diocese") and its affiliates. The affiliates consist of The Roman Catholic churches in the y parishes that are in the Diocese, as well as Diocesan-related entities, all of which are exempt from federal income tax under section 501(c)(3) of the Code. L's only revenue consists of insurance premiums from the Diocese and its affiliates.

State a does not permit the formation of nonprofit captive insurance companies. Thus, L was formed as a for-profit stock corporation, all of the stock of which is held by the Diocese. L has amended its articles of incorporation to add the appropriate dissolution language, to provide that the transfer of any shares of stock to any person

other than the Diocese is prohibited and that any such attempted transfer will be null and void, and to add a legend to the stock certificate L issued to the Diocese stating that any transfer of stock is subject to the restrictions contained in the articles of incorporation.

L's Bylaws provide that the Diocese elects a majority of L's officers and trustees.

On Date z, the Internal Revenue Service recognized L as exempt from tax under section 501(a) of the Code, effective Date aa, because it is described in section 501(c)(3). The Internal Revenue Service also determined that L is not a private foundation because it is described in section 509(a)(3).

RULING REQUESTED

L is excepted from filing an annual return because it is an organization described in section 6033(a)(2)(A)(i) of the Code.

APPLICABLE LAW

Section 6033(a)(1) of the Code states that, except as provided in section 6033(a)(2), every organization exempt from tax under section 501(a) must file an annual return.

Section 6033(a)(2) of the Code provides that certain types of organizations or activities are not required to file an annual return. One type of organizations is "churches, their integrated auxiliaries, and conventions or associations of churches."

Section 1.6033-2(g)(1)(i) of the Income Tax Regulations states that these types of organizations consist of:

A church, an interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church (as defined in paragraph (h) of this section).

Section 1.6033-2(h)(1) of the regulations states that the term "integrated auxiliary of a church" means an organization that is:

- (i) Described both in sections 501(c)(3) and 509(a)(1), (2), or (3);
- (ii) Affiliated with a church or a convention or association of churches; and
- (iii) Internally supported.

Section 1.6033-2(h)(2) of the regulations provides that for purpose of paragraph (h)(1)(ii), one way that an organization is affiliated with a church or a convention or association of churches, is if the organization is operated, supervised, or controlled by or in connection with (as defined in § 1.509(a)-4) a church or a convention or association of churches.

Section 1.6033-1-2(h)(4) of the regulations provides that for purpose of paragraph (h)(1)(iii), an organization is internally supported, unless it: (i) offers admissions, goods, services or facilities for sale, other than on an incidental basis, to the general public, and (ii) normally receives more than 50 percent of its support from a combination of government sources, public solicitations of contributions, and receipts from the sale of admissions, goods, performance of services, or furnishing of facilities in activities that are not unrelated trades or businesses.

RATIONALE

Section 6033(a)(2) of the Code provides that an organization that is an “integrated auxiliary of a church” is not required to file an annual return. Section 1.6033-2(h)(1) of the regulations states that the term “integrated auxiliary of a church” is an organization that meets three requirements.

First, the organization must be described in section 501(c)(3) and section 509(a)(1), 509(a)(2) or 509(a)(3) of the Code. On Date z, the Internal Revenue Service recognized L as an organization described in sections 501(c)(3) and in 509(a)(3). Therefore, L meets the first requirement.

Second, the organization must be affiliated with a church or a convention or association of churches. Under section 1.6033-2(h)(2) of the regulations, one way that an organization is affiliated with a church or a convention or association of churches, is if the organization is operated, supervised, or controlled by or in connection with (as defined in § 1.509(a)-4) a church or a convention or association of churches. By having ruled on Date z, that L was an organization described in section 509(a)(3) of the Code, the Internal Revenue reached this conclusion with respect to L. Therefore, L meets the second requirement.

Third, the organization must be “internally supported.” Under section 1.6033-1-2(h)(4) of the regulations, an organization is internally supported, unless it: (i) offers admissions, goods, services or facilities for sale, other than on an incidental basis, to the general public, and (ii) normally receives more than 50 percent of its support from a combination of government sources, public solicitations of contributions, and receipts from the sale of admissions, goods, performance of services, or furnishing of facilities in activities that are not unrelated trades or businesses. L neither sells any goods or services to the general public, nor receives any support from these sources. Therefore, L meets the third requirement.

As a result, L meets all the requirements as an “integrated auxiliary of a church,” within the meaning of section 6033(a)(2)(i) of the Code and section 1.6033-2(g)(1)(i) of the regulations.

RULING

L is excepted from filing an annual return because it is an organization described in section 6033(a)(2)(A)(i) of the Code.

This ruling is based on the understanding that there will be no material changes in the facts upon which it is based.

This ruling does not address the applicability of any section of the Code or regulations to the facts submitted other than with respect to the sections described.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Internal Revenue Code provides that it may not be used or cited by others as precedent.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

In accordance with the Powers of Attorney currently on file with the Internal Revenue Service, we are sending a copy of this letter to your authorized representative.

Sincerely,

/s/

Debra Kawecki
Manager,
Exempt Organizations
Technical Group 1