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Date:

July 26, 2001

Key

X =

State =

City =

n =

Dear Sir or Madam:

This is in response to a January 4, 2001, ruling request, submitted on behalf of X by its authorized representative, concerning the status of X as a "religious order" for purposes of sections 1402(c)(4), 3121(b)(8), and 3401(a)(9) of the Internal Revenue Code.

X is a nonprofit corporation organized under the laws of State which is operated for the purpose of making God known throughout the world by the establishment of mission bases. A missions base includes three distinct ministries including (1) a prayer ministry; (2) a full-time school that incorporates a complete curriculum; and (3) the recruiting, training, and forming of mission teams.

Revenue Procedure 91-20, 1991-1 C.B. 524, states that the Service will use the following characteristics in determining whether an organization is a religious order:

1. The organization is described in section 501(c)(3) of the Code.
2. The members of the organization vow to live under a strict set of rules requiring moral and spiritual self-sacrifice and dedication to the goals of the organization at the expense of their material well-being.
3. The members of the organization, after successful completion of the organization's training program and probationary period, make a long-term commitment to the organization (normally more than two years).
4. The organization is, directly or indirectly, under the control and supervision of a church or convention or association of churches, or is significantly funded by a church or convention or association of churches.

5. The members of the organization normally live together as part of a community and are held to a significantly stricter level of moral and religious discipline than that required of lay church members.
6. The members of the organization work or serve full-time on behalf of the religious, educational, or charitable goals of the organization.
7. The members of the organization participate regularly in activities such as public or private prayer, religious study, teaching, care of the aging, missionary work, or church reform or renewal.

The following is an analysis of the above characteristics as they apply to X.

1. 501(c)(3) status. X obtained a determination letter from the Service stating that it was exempt from taxes under section 501(c)(3) of the Code.
2. Vows. Membership in X is characterized by a life of dedication and self-sacrifice. X's formal application and Statement of Faith make it clear from the beginning that prospective members are making a sacrificial commitment to X which goes well beyond the requirements of local church membership or service with an ordinary religious organization. As a prerequisite for becoming a member of X, all members are required to sign a Memorandum of Agreement ("Agreement") setting forth the moral and spiritual self-discipline and sacrifice required of members, and the Statement of Faith.

The Agreement, along with X's other policies, reflect the traditional religious order vows of poverty, chastity, and obedience that have been common to all religious orders since their beginning in the first century. X has contextualized these traditional vows so that they are more accurately referred to as (i) simplicity of lifestyle and dependence on God, (ii) moral purity, and (iii) submission to godly authority.

Pursuant to these vows, no member receives a salary and each is expected to raise expenses for their own "personal support" and ministry expense, typically between \$6,000 and \$12,000 per year. They are expected to live morally pure lives in accordance with Biblical mandates. This precludes sex before marriage and requires absolute faithfulness to one's spouse after marriage.

3. Commitment. Before an individual can become a member of X, he or she must go through a training and probationary period during which he or she is considered a Prospective Member. Prospective members must at their own expense attend an extensive 60-day training program. At the end of the program they can apply for membership. If accepted, they are asked for an initial two year commitment with the hope and expectation of a longer commitment.
4. Church-controlled. X is funded in large part by specific churches throughout the country. By carrying out two of the primary functions of the Christian faith, prayer and

worship, X considers itself part of the larger Christian Church. Because of the interdenominational nature of X, certain aspects of X's religious beliefs and daily life are not regulated by any one church body. Nevertheless, individual churches play a key role in selecting candidates to become members and in supporting those members and X's ministry. For example, all members must be committed to a local church in City. This commitment is also reflected through "outreach ministry," giving, and monthly service in the children's ministry. Because local churches are largely responsible for member financial support, a significant level of accountability develops between the member and the supporting church.

5. Community. Like many traditional Catholic and Protestant religious orders, X is a centralized body operating with a growing number of regional units internationally. X has approximately n members serving in City, but ministry teams are prepared to "plant" new sites in other cities. Teams of seven to ten members comprise sub-units within each team staffing worship sessions on a regular basis. This team structure allows X to meet its goal of worship and prayer, and further promotes a sense of community among members. Moreover, members often live with close proximity to one another, and many will soon will be living in community housing provided by X free of charge.

Members of X are expected to live according to much stricter levels of moral and religious discipline than is required of lay church members. Before becoming members of X, all applicants must sign the Agreement, which sets forth certain standards that members must follow, including the subordination of all worldly and personal ambitions, daily prayer and worship, moral purity and obedience to the Bible and the Statement of Faith, and submission to godly authority and the discipline and authority of the X community. X has strict standards for moral discipline. For example, a member can be removed from X for committing sin. If a member violates one or more of the Ten Commandments and after receiving counsel refuses to repent and significantly change his or her lifestyle, the member will be asked to leave X.

6. Full-time Service. Members of X work full-time to further X's purposes. All members agree to a requirement that they commit to a minimum 50 hour working week. Members may not engage in outside employment for remuneration without permission.

7 Type of Activities Members engage in the following activities that further X's goals: (a) evangelism; (b) prayer, worship, and religious study; (c) teaching; (d) Bible teaching; and (e) social concerns such as care of the sick and aging and aid for the poor and homeless.

With respect to those characteristics set forth in Rev. Proc. 91-20, X does not meet characteristic number 4. X is not, either directly or indirectly, under the control and supervision of a single church or convention or association of churches, and it is not significantly funded by a single church or convention or association of churches. The fact that churches independently provide X with significant financial support and have some influence over X's policies does not satisfy this requirement.

However, X possesses all the other characteristics in Rev. Proc. 91-20 to a substantial degree. Accordingly, based on our consideration of all of the facts and circumstances, we conclude that X is a religious order for purposes of sections 1402(c)(4), 3121(b)(8), and 3401(a)(9) of the Code.

No opinion is expressed on the tax consequences of the above transaction under any other section of the Code.

Pursuant to the power of attorney on file with this office, we are sending a copy of this letter to X's authorized representative.

This ruling 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.

Paul Accettura,
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Exempt Organizations Branches
Office of Division Counsel/
Associate Chief Counsel
(Tax Exempt and Government
Entities)

Enclosure
Copy for section 6110 purposes