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## **IRS Begins Drafting Church Plan Revisions**

The IRS has begun drafting regulations requiring employers of church plans to inform their workers that their pensions are no longer insured by the federal government. Pension plans run by churches come under the Employee Retirement Income Security Act (ERISA), the federal pension law enacted in 1974. Church pension plans are exempted from federal funding rules, they do not have to file annual detailed reports to federal agencies, they are not required to fund the plans and insure them with the Pension Benefit Guaranty Corp. (PBGC) which is a federal agency that pays the benefits if a pension plan runs out of money. An amendment to ERISA in 1980 broadened the exemption to include pensions of employers 'associated' with a church.

Because of these benefits, other organizations have also applied to have their pension funds classified as church plans. Over the past 10 years or so, over 100 employers, mostly schools, hospitals, nursing homes and other charities and nonprofits have done so. A case in point is the Hospital Center in Orange, New Jersey. The financially strapped hospital applied to be classed as a church plan in 2003 when its pension was just 50% funded and thus stopped contributing to it. In its application, it gave the reason that it qualified to be a church plan on the basis of having joined an association that was controlled by the Archdiocese of Newark in 1998. The hospital subsequently closed in 2004 and sold off all its assets. Its pension fund that covers 950 ex-staff workers is only 30% funded and is projected to run out in about 3 years. Once it runs out, the pensions of all 950 pensioners will end and there is nothing any one of them can do about it.

At present, the IRS has suspended all rulings regarding church plans as it reviews the situation to formulate revenue regulations regarding employers who convert their pension plans, including regulations mandating that such employers inform their employees their pensions are no longer insured.

Many of Hospital Center's ex-employees are not relying on their pensions and instead are fending for themselves by continuing to work.

At present, 10 of the pension plans at major denominations have a total of \$50 billion in assets, covering 550,000 employees and pensioners. This does not include pensions for Catholic dioceses, which cover hundreds of thousands of teachers and other lay employees and employers that converted their pensions to church plans.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys,

CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.