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## Group Exemptions Are Back: 8 Things to Know

A group exemption letter allows a central organization exempt under IRC 501(c) to extend its tax-exempt status to subordinate organizations under one IRS ruling. This is a common structure for national parent organizations or faith-based organizations with local chapters and affiliates. The IRS **stopped accepting new applications** for group exemption letters in 2020 pending development of additional guidance. After five years with no further information, that guidance has finally come.

**Revenue Procedure 2026-8** provides updated guidance for obtaining and maintaining recognition of exemption from federal income tax on a group basis as of January 20, 2026. The new procedure affects any central organization that currently holds a group exemption letter, any subordinate organization exempt under an existing group exemption, and any organization considering applying for a letter or joining an exempt group.

The key changes from prior guidance fall into two categories: filing and administrative requirements (how to apply and administrative steps to maintain a group exemption) and organizational compliance requirements (how central organizations must structure their relationships with subordinate organizations). The new procedure is long and detailed, with various exceptions, but below are eight important things current or prospective central organizations and subordinate organizations should know.

### FILING AND ADMINISTRATIVE REQUIREMENTS

- 1. Electronic Submission Required for Group Applications.** New group exemption applications must be submitted by the exempt central organization electronically on **Form 8940** at [www.pay.gov](http://www.pay.gov), along with a user fee of \$3,500. A central organization can only hold one group exemption letter now. There are transition rules for an existing central organization that holds more than one letter as of January 20, 2026, which must be satisfied by January 22, 2027. Existing central organizations do not need to re-apply.
- 2. Effective Date of Exemption.** When a subordinate organization is added to a group exemption letter, the effective date of its tax-exempt status depends on when the subordinate organization was formed. If the organization is added to the group within 27 months of its formation date, its exemption is retroactive to when it was originally formed. However, if more than 27 months have passed since formation, the tax-exempt status only begins on the date the organization was added to the group.

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Nonprofit Law Matters looks at legal issues in the nonprofit and tax-exempt organizations world. Written by the attorneys and paralegals of Adler & Colvin, it provides updates and analysis regarding philanthropy, charity, and other exempt organization issues.

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3. **Updated Authorization Requirements.** All newly added subordinate organizations must authorize the central organization in writing to include them in the group exemption letter and acknowledge that the central organization may remove them with or without cause. Central organizations need not obtain new authorizations from pre-existing subordinate organizations.
4. **Annual Supplemental Group Ruling Information Requirements.** The procedure updated annual supplemental group ruling information ("SGRI") submission requirements for central organizations, simplifying some existing obligations while adding new ones. Key changes include: a 60-day filing window (between 90 and 30 days before tax year-end), mandatory reporting of subordinate organizations whose tax-exempt status has been automatically revoked, and electronic submission (guidance on method is forthcoming). Central organizations need to report changes in purposes, character, or method of operation, and must provide dates of formation when adding new subordinates. Churches may submit SGRI to the IRS, but are not required to.

## ORGANIZATIONAL COMPLIANCE REQUIREMENTS

5. **Minimum Number of Subordinate Organizations Required.** New central organizations must have at least five subordinate organizations to obtain a group exemption letter and at least one subordinate organization to maintain it thereafter (though there are transition rules in the procedure for existing central organizations with no subordinate organizations).
6. **Relaxed Matching Requirements.** All subordinate organizations in a group exemption letter must share the same tax-exempt classification (same Section 501(c) paragraph). However, they no longer need to match their central organization's classification. For example, a 501(c)(4) social welfare organization could be the central organization, with all subordinates being 501(c)(3) charities.
7. **Affiliation, Supervision, and Control Requirements Clarified.** As under prior guidance, the central organization must be affiliated with, and must exercise either supervision or control over, subordinate organizations. The new procedure provides further guidance about what these terms mean:
  - **Affiliation** is determined by reviewing facts and circumstances showing the subordinate is a chapter, local, post, or unit of the central organization.
  - **General Supervision** requires central organizations to: (1) annually obtain, review, and retain information about each subordinate's finances, activities, and compliance (satisfied by obtaining Form 990 or 990-EZ, but not Form 990-N; subordinate organizations that are not required to file annual returns, such as churches, are exempt from this requirement); and (2) annually educate subordinates about maintaining tax-exempt status (for example, by providing a link to [IRS Publication 557](#)).
  - **Control** may be established through governance-level control (such as appointing a majority of a subordinate organization's directors, trustees, or officers) or contractual control over the subordinate's activities and operations.
8. **Uniform Purpose Statement Requirement.** All subordinate organizations that share the same exempt purpose must include an identical purpose statement in their governing instruments (such as articles of incorporation, bylaws, charter, or trust indenture). If a group exemption letter covers subordinate organizations with different purposes, then subordinate organizations within each purpose category must have matching purpose statements. Pre-existing subordinate organizations need not amend their governing instruments to comply with this requirement.

**Existing central organizations should begin their compliance review now.** By January 22, 2027, existing central organizations aiming to maintain their group ruling may need to add subordinate organizations, update policies and procedures, and document supervision and control mechanisms of subordinates, as appropriate. Central organizations must report on their transition compliance actions through their annual SGRI submission to the IRS. Failure to comply by January 22, 2027 may result in

termination of the group exemption letter, which would require every subordinate to separately apply for its own exemption.