



IRS Overhauls Group Tax Exemption Program

New Rules for Initial Applications and Existing Exemptions: Central Organizations Holding Preexisting Group Exemption Must Act Before January 22, 2027

Overview

On January 20, 2026, the IRS published [Revenue Procedure 2026-8](#), which replaces the long-standing group exemption guidance under Rev. Proc. 80-27. The IRS also issued [Notice 2026-8](#) on January 15, 2026, providing helpful background on the issuance of Revenue Procedure 2026-8.

In June 2020, the IRS suspended acceptance of new group exemption applications while it considered updated procedures. With the publication of Revenue Procedure 2026-8, the IRS has now resumed acceptance of group exemption applications. The new revenue procedure significantly updates the rules governing group exemption letters and introduces enhanced oversight, reporting, and governance standards for central organizations and their subordinate organizations.

Most importantly, the IRS has established a **transition period** that ends on **January 22, 2027**. During this period, all central organizations holding preexisting group exemption letters (as of January 20, 2026) must review their structures and take corrective action where necessary.

Failure to comply with Revenue Procedure 2026-8, including achieving compliance by the end of the transition period, may result in termination of the group exemption letter and loss of centralized group exemption coverage for subordinate organizations.

What Is a Group Exemption Letter?

A group exemption letter allows a central organization to hold federal tax-exempt status on behalf of affiliated subordinate organizations. The letter relieves each subordinate from filing its own application for recognition of exemption. Revenue Procedure 2026-8 modernizes this framework to reflect current compliance, transparency, and governance expectations.

Key Structural Requirements Going Forward

All central organizations must comply with the following baseline rules (subject to certain transition relief for preexisting group exemption letters, as discussed further below):

Minimum Subordinate Requirement – A central organization must have at least five subordinate organizations to obtain a group exemption letter and must maintain at least one subordinate organization to keep a group exemption letter in effect.

One Group Exemption Letter Per Central Organization – A central organization may maintain only one group exemption letter.

Matching Requirement – All subordinate organizations under a group exemption letter must be described under the same paragraph of §501(c).

Uniform Purpose Statement – Subordinate organizations that share the same purpose must adopt a uniform purpose statement in their governing documents.

Affiliation and General Supervision or Control – Subordinate organizations must be affiliated with the central organization, and the central organization must exercise general supervision or control over subordinate organizations. General supervision may be demonstrated if the central organization (i) annually obtains, reviews, and retains information on the subordinate organization's finances, activities, and compliance with annual filing requirements; and (ii) annually transmits (including electronically) written information to, or otherwise educates, the subordinate organization about the requirements to maintain tax-exempt status under the applicable paragraph of § 501(c), including, but not limited to,

annual filing requirements, if applicable. Control of a subordinate organization may be demonstrated through the central organization having governance authority or contractual control mechanisms.

Group Return and Matching Accounting Period – If the central organization files a group return on behalf of two or more subordinate organizations, each such subordinate organization must have the same accounting period.

Ineligible Subordinate Organizations – Certain organizations may not be included as subordinate organizations, including foreign organizations, private foundations, Type III supporting organizations, §501(c)(29) nonprofit health insurers, and automatically revoked organizations until reinstated.

Electronic Filing Requirements

Revenue Procedure 2026-8 requires central organizations to submit both group exemption applications and ongoing compliance filings electronically.

Group Exemption Applications – All new group exemption applications must be submitted electronically on Form 8940 through Pay.gov, together with all required documentation and user fees.

Annual Compliance Filings – Annual Supplemental Group Ruling Information (SGRI) filings and all transition-period remediation filings must be submitted electronically through IRS-designated systems once the IRS publishes electronic submission procedures. Until such procedures are implemented, required SGRI filings must be submitted by mail to the IRS Ogden Service Center in accordance with Revenue Procedure 2026-8.

Annual Compliance Obligations

Except where an exception applies, central organizations must file SGRI annually with the IRS, reporting:

1. Changes in purpose, character, or operation of all subordinate organizations
2. Separate lists for each of the following categories:
 - Newly added subordinate organizations

- Removed subordinate organizations
 - Automatically revoked subordinate organizations
 - Name or address changes for subordinate organizations
3. With respect to subordinate organizations being added, the following must be included:
- Written authorization confirmations, executed by an officer of the subordinate organization with personal knowledge of the facts and legal authority to bind the subordinate organization, including acknowledgement that the central organization may remove the subordinate organization from the group exemption letter with or without cause
 - Accounting period confirmations for those to be included in a group return
 - Special disclosures for schools, hospitals, and §501(c)(4) organizations

Revenue Procedure 2026-8 requires that SGRI be filed annually at least 30 days, but no more than 90 days, before the close of the central organization's annual accounting period.

Mandatory Transition Period for Preexisting Group Exemptions Ends January 22, 2027

Central organizations holding preexisting group exemption letters (as of January 20, 2026) must take the following actions before January 22, 2027:

Central Organizations with No Subordinates – If a central organization currently has no subordinate organizations, it must either add at least one subordinate organization or terminate the group exemption letter.

Central Organizations with Multiple Group Exemption Letters – If a central organization maintains more than one group exemption letter, it must choose one letter to retain and terminate all others.

Affiliation and Supervision or Control Remediation – Each subordinate organization must be affiliated with the central organization and subject to the central organization's general supervision or control. If a subordinate organization cannot be brought into compliance, it must be removed from the group exemption.

Central Organizations with Mixed §501(c) Classifications – If subordinate organizations are classified under a different §501(c) paragraph than what was stated in the original group application, the central organization must remove the non-matching subordinate organizations.

Timing – All required actions must be completed through formal IRS filings before January 22, 2027.

Certain Provisions Not Applicable to Preexisting Subordinate Organizations under Preexisting Group Exemptions

The following provisions of Revenue Procedure 2026-8 do not apply to preexisting subordinate organizations that are included in a preexisting group exemption letter (as of January 20, 2026) and are not thereafter removed from the group exemption letter:

Uniform Purpose Statement Not Applicable – Preexisting subordinate organizations having the same purpose need not have a uniform purpose statement in their governing documents.

Exclusion of Type III Supporting Organizations Not Applicable – The exclusion of Type III supporting organizations from group exemptions is not applicable to Type III supporting organization that are preexisting subordinate organizations.

Exclusion of § 501(c)(29) Qualified Nonprofit Health Insurance Issuers Not Applicable – The exclusion of § 501(c)(29) qualified nonprofit health insurance issuers under from group exemptions is not applicable to § 501(c)(29) qualified nonprofit health insurance issuers that are preexisting subordinate organizations.

Authorization for Inclusion in Group Exemption Not Applicable – The requirement that the authorization for initial inclusion in a group application, or subsequent addition to a group exemption letter, include an acknowledgement that the central organization may remove the subordinate organization from the group exemption letter with or without cause does not apply with regard to a preexisting subordinate organization.

Special Rules for Churches and Religious Organizations

No Annual SGRI required – A central organization that is a church or a convention or association of churches may, but is not required to, file annual SGRI reports to maintain its group exemption letter. However, church central organizations are not exempt from structural compliance requirements, matching requirements, affiliation, supervision and control standards, or transition period remediation obligations.

Special Affiliation Rule – In the case of a subordinate organization that is a church or a convention or association of churches, affiliation with the central organization may be demonstrated by the sharing of common religious bonds or convictions with the central organization.

Special General Supervision Rule – With respect to subordinate organizations that are not required to file an annual information return or notice (e.g., churches, certain church-operated schools, integrated auxiliaries of a church), a central organization that is a church or a convention or association of churches may, but is not required to, annually obtain, review, and retain information on the subordinate organization's finances and activities. The central organization must still annually provide to each such organization an electronic link to the current version of Publication 1828, Tax Guide for Churches & Religious Organizations, available on [irs.gov](https://www.irs.gov), which provides information about the requirements to maintain tax-exempt status under § 501(c)(3).

Practical Takeaways for Central Organizations

Central organizations holding a group exemption letter from the IRS should treat Revenue Procedure 2026-8 as a governance and compliance reset for the group exemption program. Central organizations should conduct a full inventory of subordinate organizations, confirm §501(c) classification consistency, review supervision and/or control structures, update authorization and governance documentation, prepare for annual SGRI reporting, and complete all required remediation well before January 22, 2027.

Conclusion

The IRS has made clear that the group exemption program is moving into a new compliance era. Central organizations that act early will be best positioned to preserve their group exemption status and avoid disruption for their subordinate organizations. Organizations with existing group exemption letters should begin transition planning now.

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