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Insights

IRS Reopens and Overhauls Group Exemption Program

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By: Robert A. Greising and Kendall A. Schnurpel

On January 20, 2026, the Internal Revenue Service reopened its group exemption program with the release of Revenue Procedure 2026-8, ending a multi-year suspension on new group exemption applications. The new guidance replaces rules dating back to 1980 and materially changes how group exemptions are obtained, maintained, and monitored. Organizations that rely on group exemption structures—particularly national nonprofits, faith-based networks, and organizations with affiliated chapters—should expect heightened governance expectations, expanded reporting obligations, and clearly defined compliance deadlines.

Background

A group exemption allows a tax?exempt central organization to obtain IRS recognition of exempt status for multiple affiliated subordinate organizations under a single group exemption letter, eliminating the need for each subordinate to apply individually. Until recently, the program operated under guidance issued in 1980, which left significant gaps and ambiguities around supervision, control, and ongoing reporting as nonprofit structures and compliance expectations evolved.

Against that backdrop, the IRS suspended acceptance of new group exemption applications in 2020 while it undertook a broader review of the program, citing concerns that the decades?old rules no longer reflected modern nonprofit operations or provided sufficient guardrails for oversight and accountability.

The IRS has changed its position. Revenue Procedure 2026?8, issued after more than a forty?year gap in comprehensive guidance, represents the IRS's effort to modernize the group exemption framework by clarifying governance standards, formalizing reporting obligations, and aligning the program with current compliance and enforcement priorities.

Summary of Key Changes

Revenue Procedure 2026-8 imposes new structural, governance, and reporting requirements. A central organization must have at least five subordinate organizations to obtain a new group exemption, though the exemption may continue so long as at least one subordinate remains. Each central organization may maintain only one group exemption letter, requiring organizations with multiple historical group rulings to evaluate consolidation during the transition period.

All subordinate organizations must be described in the same paragraph of Section 501(c), although the central organization need not be classified under the same paragraph. Subordinates sharing the same purpose must adopt a uniform purpose statement, even though complete uniformity of governing documents is not required.

Central organizations must demonstrate general supervision or control over subordinates, which may be established through written agreements governing activities or operations. The IRS will apply a facts-andcircumstances analysis and will not permit reliance on intermediate tiers to establish supervision.

All new group exemption applications must be filed electronically on Form 8940 through Pay.gov. Central organizations must also file Supplemental Group Ruling Information (SGRI) annually (with electronic submission procedures still being implemented) to report changes in subordinate organizations and to add or remove subordinates. The IRS may terminate a group exemption for noncompliance, including failure to file SGRI or failure to exercise adequate supervision or control. If more than half of a group's subordinates are automatically revoked, the IRS may terminate the group exemption entirely.

Religious organizations are subject to the same supervision, control, and reporting standards. While existing church group exemptions benefit from transition relief, denominations and faith-based networks should carefully assess whether their governance structure and documentation practices will satisfy the new requirements going forward.

Compliance Deadlines

The IRS resumed accepting new group exemption applications on January 20, 2026. Organizations holding group exemption letters in effect as of that date must complete required updates and filings by January 22, 2027. Central organizations must also comply with annual SGRI filing requirements, as failure to file timely may jeopardize the group exemption.

Practical Takeaways

Organizations with existing group exemptions should inventory subordinate organizations, confirm consistent Section 501(c) classification, document supervision and control arrangements, evaluate consolidation of multiple group exemption letters, and prepare for enhanced annual reporting well in advance of the January 2027 deadline. Organizations considering new group exemption applications should expect a more formalized and documentation-intensive process than under prior guidance. Organizations should also consider how changes to group exemption structures may interact with other regulatory or contractual obligations that rely on continued tax?exempt status.

How We Can Help

Central organizations and affiliated networks with questions about compliance under Revenue Procedure 2026-8, including readiness for the new supervision and control standards, preparation of uniform purpose statements, SGRI reporting processes, or filing strategies for Form 8940, are encouraged to contact Robert A. Greising, Kendall A. Schnurpel or their regular Krieg DeVault attorney. This includes organizations evaluating updates to existing group exemption letters ahead of the January 22, 2027 deadline, as well as faith?based denominations and religious networks assessing governance and documentation practices under the program's oversight and reporting framework.
