Nonprofit Notes

A New Era for Group Exemption Rulings Strategic Considerations for Nonprofit Networks Under Rev. Proc. 2026-8

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After nearly six years of uncertainty, the IRS has reopened the door to new group exemption rulings. With the release of Revenue Procedure (Rev. Proc.) 2026-8, organizations with affiliated chapters, local units or subordinate entities once again have a pathway to obtain a single group exemption letter rather than requiring each subordinate organization to secure its own tax-exempt determination.

Why the IRS Reset Matters

The IRS suspended new group exemption applications in 2020 while it reevaluated the decades-old framework governing group rulings. During that period, organizations seeking to expand through affiliated entities often faced increased administrative burdens, as subordinate organizations were generally required to pursue individual tax-exempt recognition.

The IRS's decision to reopen the group exemption process reflects a broader regulatory focus on accountability within complex nonprofit networks. Rather than simply granting umbrella tax-exempt recognition, the IRS now expects central organizations to demonstrate active oversight of affiliated entities.

Increased Accountability for Central Organizations

Rev. Proc. 2026-8 transforms the central organization's role from primarily administrative to one requiring documented and ongoing oversight.

Historically, some organizations viewed group exemption rulings primarily as an administrative convenience. Under the new guidance, central organizations are expected to demonstrate meaningful oversight of their affiliates. This includes collecting financial information, monitoring compliance, maintaining current organizational records and reporting changes to the IRS on an annual basis.

Several provisions within Rev. Proc. 2026-8, including annual Supplemental Group Ruling Information (SGRI) reporting requirements, consolidation of legacy rulings and enhanced recordkeeping expectations, demonstrate the IRS's intention to strengthen oversight of affiliated nonprofit structures.

Beginning in 2026, central organizations with one or more subordinate organizations must use new Form 15644, *Supplemental Group Ruling Information*, to satisfy their annual obligation to submit the information required under Section 7 of Rev. Proc. 2026-8. Central organizations may also use Form 15644 to submit interim updates, such as adding a new subordinate organization before the annual SGRI filing deadline.

However, a central organization described in section 501(c)(3) that is a church, convention of churches, or association of churches and maintains a group exemption letter may, but is not required to, submit Form 15644.

Governance and Standardization Will Become More Important

Subordinate organizations must share a common exempt purpose, maintain governing documents consistent with the central organization and operate as bona fide affiliates within the larger network. Additionally, subordinate organizations are generally expected to use the same annual accounting period as the central organization.

For organizations with large chapter networks, compliance may require updating affiliation agreements, standardizing governing documents and implementing procedures for collecting annual financial and operational data from subordinate organizations.

Transition Period Creates Both Opportunity and Risk

Organizations with existing group exemption letters have until January 22, 2027, to align with the new requirements.

For example, consider a national trade association with dozens of state chapters operating under a group exemption ruling. Under the new framework, the central organization will need to maintain current records for each chapter, monitor changes in organizational status and ensure annual reporting obligations are met. Organizations that have not revisited their chapter governance structures in several years may find that significant remediation is required before the January 2027 transition deadline.

The transition period also provides central organizations with an opportunity to reassess whether their affiliate structures remain efficient, sustainable, and aligned with broader strategic objectives.

Next Steps for Nonprofit Leaders

For many organizations, compliance with the new framework will require more than an annual filing. It may require a broader reassessment of how the central organization governs, documents, and communicates with its subordinate organizations.

Organizations should begin preparing **now** by:

- Evaluating eligibility for group exemption status
- Reviewing governance and affiliate structures
- Strengthening oversight and reporting processes
- Establishing procedures for preparing Form 15644, satisfying annual SGRI requirements, and submitting interim updates when necessary
- Preparing to comply with the new requirements by January 22, 2027

Contact Us

Preparing for Rev. Proc. 2026-8 may require coordination across tax, finance, governance and chapter-management functions. PKF O'Connor Davies can help central organizations evaluate their eligibility, assess existing group exemption structures and develop a practical plan for meeting the new requirements.

If you have any questions or need assistance, please contact your PKF O'Connor Davies client service team or:

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