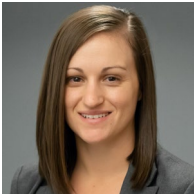




## Group Exemptions An Update & Conversation About Impact

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# Your Presenters & Panelists



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# New But Not New...

- Revenue Procedure 2026-8 issued in January 2026
- Issuing new group exemptions had been suspended for over five years
- Organizations already maintaining a group exemption have a transition period until January 22, 2027, to comply with the new requirements

# Requirements for New Group Exemptions

- New group exemption must meet the following requirements:
  - Approved exempt status: The exempt status of the central organization must be approved in advance or concurrently with the group application
  - Minimum number of subordinates: A central organization must have at least five subordinate organizations to obtain a group exemption
  - Single group exemption letter: A central organization may hold only one group exemption letter, a limitation not previously imposed under Rev. Proc. 80-27
  - Electronic filing requirement: Group exemption applications must be submitted electronically on Form 8940 using Pay.gov, along with the required user fee and supporting documentation
  - Affiliation and general supervision or control: Each subordinate must be affiliated with the central organization and subject to its general supervision or control

# Organizations NOT Eligible

- Organizations not eligible to be included in a group exemption:
  - Organizations organized in a foreign country
  - Private Foundations
  - Type III Supporting Organizations
  - Qualified nonprofit health insurance issuer under 501(c)(29)
  - Organization that has previously had its exemption automatically revoked and has not had it reinstated after filing an application for reinstatement

# Affiliation & Supervision OR Control

**Affiliated requirement:** A subordinate organization's affiliation with the central organization is demonstrated by facts and circumstances showing that it is a chapter, local, post, or unit of the central organization

**General supervision requirement:** A subordinate organization is subject to the general supervision of a central organization if the central organization meets these requirements:

- Annually obtains, reviews, and retains information on the subordinate organization's finances, activities, and compliance with annual filing requirements. This can include review of the Form 990s or 990-EZs. If the subordinate files a Form 990-N, alternative financial documentation should be reviewed
- Annually educates the subordinate organization about the requirements to maintain tax-exempt status, either in writing or electronically

**Control requirement:** A subordinate organization that does not meet the general supervision requirement must be controlled by the central organization. Evidence of control:

- The central organization appoints the majority of the subordinate organization's directors or officers,
- Majority of the subordinate's voting directors or officers are also directors or officers of the central organization, or
- The central and subordinate organizations enter into a written agreement that provides the central organization with control over the subordinate's activities and operations

# Maintaining a Group Exemption

- Maintaining a group exemption
  - Annually submit information regarding subordinate organizations included in the group exemption
    - Submitted at least 30 days (but no more than 90 days) before close of central organization's tax year
    - IRS is working on procedures for this to be electronic in the future
    - Includes the following:
      - Reporting any change in purpose, character, or method of operation
      - Changes to supported organizations (additions, removal, name changes)
      - Full list of supported organizations included in the group exemption for the year
  - The central organization and all subordinates maintain their own EIN
  - Form 990 Filings
    - Central organization will file its own Form 990
    - Subordinate organizations:
      - Option 1: A subordinate organization can elect to be included in a group return
      - Option 2: A subordinate can file its own Form 990

# What Is Different About a Group Form 990?

- Appendix E of the Form 990 Instructions gives guidance on reporting differences
- Examples of differences:
  - EIN is special EIN issued for the Group Return (not the same as the central organization's EIN)
  - Year of formation and State of legal domicile will be left blank
  - Group exemption number and list of subordinate organizations included in the return
  - Part III – Summarize mission and activities of all subordinate organizations as if they are one entity
  - Part VII – Required to report all officers, directors, trustees, and key employees of each subordinate **BUT** only report the top five highest compensated for the whole group of subordinates
  - Part VII – top five independent contracts are for the whole group of subordinates
  - Schedule A – Check the public charity status for a majority of the entities; nuances if supporting orgs included
  - Public support test – information is aggregated together
  - Schedule H Community Benefit – information is aggregated together
  - Schedule R – central organization and subordinate organizations not required to be listed
- 990-T has to be filed for each individual subordinate that needs it. No “group” 990-T allowed

# Termination

- Termination of Group Exemption by the IRS
  - If the group exemption is terminated, all entities included in the group exemption lose tax-exempt status
    - Each subordinate organization would need to file Form 1023 to be recognized as tax-exempt or be included in a new group exemption
  - Reasons for termination:
    - Central organization notifies IRS that the central organization is going out of existence
    - IRS determines the central organization is no longer described in 501(c)
    - Central organization's exemption is automatically revoked
    - Central organization fails to submit its timely and complete annual information required to maintain the group exemption
    - Not meeting the requirements for a group exemption (no subordinate orgs; fails to exercise supervision or control over subordinates; failing to meet the requirements of the revenue procedure)
    - More than half of the subordinate organizations have had their exemptions automatically revoked

# Is a Group Exemption Right For You?

Benefits

Risks

Other Considerations

# Group Exemptions: A Conversation

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# Questions?



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