



KROKIDAS & BLUESTEIN LLP

CLIENT ALERT

**IRS NO LONGER SENDING LISTS OF PARENT AND SUBSIDIARY
ACCOUNTS TO GROUP EXEMPTION
RULING HOLDERS**

The IRS has issued a reminder that, as of January 1, 2019, the agency has ceased mailing lists of parent and subsidiary organizations to group exemption ruling holders. Group exemption ruling holders, however, must continue to comply with the existing annual reporting requirements.

Overview

A group exemption letter is a ruling or determination issued by the IRS to a tax-exempt organization, known as a “group ruling holder” or “central organization,” which recognizes one or more additional organizations as exempt from federal income tax by virtue of being a subordinate or subordinates of the central organization. The primary advantage of a group exemption letter is that each subordinate organization is relieved of the obligation of filing its own application for recognition of exemption. Subordinates may file individual IRS Forms 990, or may be included in a group return that includes all of the subordinates.

Revenue Procedure 80-27 explains what a central organization is required to do to maintain its benefits under a group exemption letter, and requires the group ruling holder to update its list of subordinate organizations every year. In the past, the IRS would send each group ruling holder a letter with the list of current subordinate organizations, and the group ruling holder would review the list for accuracy and update it accordingly. The IRS has now issued a notice that it is no longer sending lists of parent and subsidiary accounts to group ruling holders. However, please note that group ruling holders are still responsible for filing the annual submission of information to maintain the status of the subordinates under the group exemption letter.

Requirements for Group Ruling Holders

Notwithstanding this change, group ruling holders must still comply with the annual reporting requirements in Section 6 of Revenue Procedure 80-27. The required information must be submitted ***at least 90 days before the close of the central organization’s annual accounting period*** (ex. a group ruling holder with a June 30, 2019 year end must have submitted its update by April 1, 2019).

Group ruling holders must submit the ***names, addresses, and employer identification numbers*** of subordinate organizations that (1) have been terminated or disaffiliated from the group, (2) have been added to the group, or (3) have changed their names or addresses. A separate list should be submitted for each of the above categories of changes. If there are no changes, the group ruling holder must submit a statement to that effect. Please note that an annotated directory of subordinates will not be accepted for the purpose of annual reporting requirements.

If you have any questions as to how to submit your annual reporting to the IRS, please do not hesitate to contact Attorneys Elka Sachs (esachs@kb-law.com) or Eric Reustle (ereustle@kb-law.com).

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