



March 1, 2022

Mr. Robert Malone  
Director, Exempt Organizations  
Internal Revenue Service  
1111 Constitution Ave, NW  
Washington, DC 20224

**RE: Notice Proposing Revenue Procedure Updating Group Exemption Letter Program  
([Notice 2020-36](#))**

Dear Mr. Malone:

The American Institute of CPAs (AICPA) appreciates the efforts of the Department of the Treasury (“Treasury”) and the Internal Revenue Service (IRS) to address the need for guidance related to section 501(c).<sup>1</sup> On May 1, 2020, Treasury and the IRS issued [Notice 2020-36](#) (“Notice”) which contains a proposed revenue procedure (“Proposed Revenue Procedure”) that sets forth updated procedures under which recognition of exemption from federal income tax for organizations described in section 501(c) may be obtained on a group basis for subordinate organizations affiliated with and under the general supervision or control of a central organization. This letter is our response to the request for comment on the rules described in the Notice.

Previously, on April 26, 2017, the AICPA submitted [comments](#)<sup>2</sup> regarding group exemptions related to tax-exempt organizations and the filing of information returns by organizations exempt from tax pursuant to a group exemption ruling under [Rev. Proc. 80-27](#). The Notice and Proposed Revenue Procedure modify and supersede Rev. Proc. 80-27.<sup>3</sup>

Specifically, the AICPA provides recommendations on the following issues:

- I. Create a Form 990 Schedule Q
- II. Form 990-N for Subordinate Organizations
- III. One Form 990 for Central and Subordinate Organizations
- IV. Burden Reduction Related to the Business Master File
- V. Uniform Governing Instrument Requirement

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<sup>1</sup> Unless otherwise indicated, hereinafter, all section references are to the Internal Revenue Code of 1986, as amended, or to the Treasury Regulations promulgated thereunder.

<sup>2</sup> AICPA letter, “[Tax-Exempt Organizations Group Exemptions and Filing of Information Returns](#),” April 26, 2017.

<sup>3</sup> 1980-1 C.B. 677 (as modified by Rev. Proc. 96-40, 1996-2 C.B. 301).

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We appreciate your consideration of our comments. If you have any questions, please contact Jennifer Becker Harris, Chair, AICPA Exempt Organizations (EO) Taxation Technical Resource Panel, at (425) 454-4919, [jharris@clarknuber.com](mailto:jharris@clarknuber.com); Elizabeth Young, Senior Manager – AICPA Tax Policy & Advocacy, at (202) 434-9247, or [elizabeth.young@aicpa-cima.com](mailto:elizabeth.young@aicpa-cima.com); or me at (601) 326-7119, or [JanLewis@haddoxreid.com](mailto:JanLewis@haddoxreid.com).

Sincerely,



Jan Lewis, CPA  
Chair, AICPA Tax Executive Committee

cc: The Honorable Lily Batchelder, Assistant Secretary for Tax Policy, Department of the Treasury  
The Honorable Charles P. Rettig, Commissioner, Internal Revenue Service  
Mr. William Paul, Principal Deputy Counsel and Deputy Chief Counsel (Technical), Internal Revenue Service  
Ms. Sunita Lough, Commissioner, Tax Exempt and Government Entities, Internal Revenue Service  
Mr. Edward Killen, Deputy Commissioner, Tax Exempt and Government Entities, Internal Revenue Service

**AMERICAN INSTITUTE OF CPAs**  
**March 1, 2022**

**Comments on Notice Proposing Revenue Procedure Updating Group Exemption Letter**  
**[\(Notice 2020-36\)](#)**

**BACKGROUND**

On May 1, 2020, the IRS issued Notice 2020-36, which unveiled a proposed new revenue procedure superseding the group-exemption rules of Rev. Proc. 80-27, which was adopted in 1980. The group exemption procedures have not been significantly updated or changed in 40 years. The Proposed Revenue Procedure is intended to be a comprehensive resource regarding group exemption letters. The Proposed Revenue Procedure states when the IRS will issue a group exemption letter and under what circumstances the IRS may terminate a group exemption letter. The Proposed Revenue Procedure also describes how a subordinate organization may obtain recognition of exemption or declare its exempt status.

**SPECIFIC COMMENTS**

**I. Create a Form 990 Schedule Q**

Recommendation

The AICPA recommends that the IRS update Form 990, *Return of Organization Exempt from Income Tax* to include a separate schedule (e.g., Schedule Q, Group Exemption Filers) to list the name and Employer Identification Number (EIN) for each subordinate included in a group Form 990 filing. We suggest formatting this new separate schedule to satisfy the required annual reporting of supplemental group ruling information (SGRI) that describes changes in its subordinates' identities, purposes, or activities. Through the electronic filing of the Form 990, this schedule should be formatted in a way that the [Tax Exempt Organization Search](#) Tool on the IRS website and the [Exempt Organization Business Master File](#) (EO BMF) are updated without any manual inputting necessary by IRS personnel. We also recommend making this Schedule Q available for separate filing (electronically) in the event that a Center Organization is not required to file the Form 990.

Analysis

Because the EO BMF does not always correctly indicate whether a subordinate is filing as part of a group Form 990, the subordinate may receive notices for failure to file Form 990. Section 6033(j) states that an organization's exempt status will be automatically revoked if it fails to file required Form 990-series returns or notices for three consecutive years. The lack of an e-filing option of the SGRI and the absence of a template or separate schedule for the list of subordinate organizations included in a group return required by Form 990, Page 1, Item H creates a significant risk for group exemption filers to have the exempt status of subordinates revoked.

## **II. Form 990-N for Subordinate Organizations**

### Recommendation

The AICPA recommends that the IRS provides guidance permitting each subordinate of a central organization's Group Exemption Number (GEN) that is required to file a Form 990-N, Electronic Filing System, e-Postcard to satisfy its filing requirement if the central organization updates its SGRI.

### Analysis

Certain GEN holders prefer to have the central organization and each of its subordinates file a Form 990. In many cases, the subordinate organization meets the filing requirements of the Form 990-N. The Form 990-N requires the following information:

- Employer Identification Number
- Tax year
- Legal name and mailing address
- Any other names the organization uses
- Name and address of a principal officer
- Website address if the organization has one
- Confirmation that the organization's annual gross receipts are normally \$50,000 or less
- If applicable, a statement that the organization has terminated or is terminating (going out of business)

Filing the information above on Form 990-N for each subordinate is a time-consuming process if there are numerous subordinates. Further, the information provided in Form 990-N is duplicative. In updating the list of subordinates under the GEN, the central organization is acknowledging that each of the subordinates listed meets the requirements of section 501(c)(3). The Proposed Revenue Procedure updates the requirement of a SGRI submission at least 30 days before the close of the GEN holder's accounting period provides sufficient time to determine the subordinate meets the 990-N filing requirement.

## **III. One Form 990 for the Central and Subordinate Organizations**

### Recommendation

To the extent the central organization and subordinates are described in the same paragraph of section 501(c), the AICPA recommends that the IRS allow a central organization and its subordinates the option to file one consolidated Form 990. We also suggest retaining the option for a central organization and each of its subordinates to file separate Forms 990.

## Analysis

It is more efficient and less burdensome for both the IRS and the filing organizations if the IRS provides the option for one consolidated Form 990 filing on behalf of the central organization and its subordinates rather than one Form 990 for the central organization and one Form 990 on behalf of the group.

## **IV. Burden Reduction Related to the Business Master File**

### Recommendation

Consistent with our recommendation above for a new schedule to the Form 990 for Group Exemption Filers, the AICPA recommends that, in order to provide clear guidance and formality and to limit the number of errors in the EO BMF, the IRS create a form that will afford a consistent format and process for central organizations to provide the information required in the Proposed Revenue Procedure.

This form should provide for the following updates on subordinates:

- Additions and/or removals of new organizations
- Changes to names and/or mailing address
- Changes in the purposes or activities

In addition, the new form should include the following information for the EO BMF:

- Name and Address
- Tax Period
- Employer Identificaiton Number
- GEN: Group Exemption Number
- Affiliation Code
- Form 990 Filing Requirement
- Secondary Business Name
- NTEE Code

## Analysis

The process and information required by the Proposed Revenue Procedure to update the group exemption roster is currently completed through correspondence between the taxpayer and the IRS, resulting in inconsistent information and errors in the EO BMF. Examples include:

- Subordinates are not associated with the central organization GEN in the GROUP field within the EO BMF;
- Inaccurate names are noted in the "SORT\_NAME" field; and
- Subordinates are identified as a separate Form 990 filer in the field FILING\_REQ\_CD of the EO BMF even though the subordinate is filing as part of a group return.

While the goal of the Notice is to reduce the significant administrative burden within the IRS to maintain more than 4,000 group exemptions, the continued paper filing of the SGRI exacerbates ongoing, unresolved information errors within the EO BMF. Errors such as erroneously removed subordinates, misnamed subordinates, inaccurate addresses, etc., have resulted from the manual processing of changes from the SGRI. These errors directly affect the ability of subordinates, donors, and other interested persons to verify their exemption in the EO BMF, creating administrative challenges by the subordinate to prove its tax-exempt status as an eligible charitable organization to its donors. While subordinate organizations need not be listed in Tax Exempt Organization Search or on the EO Business Master File, many GEN holders ensure that all subordinates can be found in these sources for their donors to verify that contributions are deductible under section 170. Though verification through the EO BMF is not prescribed per Publication 4573, donors often insist on EO BMF verification rather than relying on the charity's SGRI. We have seen these administrative challenges jeopardize the receipt of grant and donor funding to those affected subordinates, which are the lifeline of viability and sustainability of those subordinates. We urge allocation of technological resources to enhance and improve the required collection of accurate data by the Service.

## **V. Uniform Governing Instrument Requirement**

### Recommendation

The AICPA recommends that the IRS provide for added flexibility in additional guidance with respect to the 'uniform governing instrument' requirement. This added flexibility should allow for organizations referred to under the same paragraph of section 501(c) to describe a different charitable purpose than the central organization in its governing documents. It should also recognize the disparate state law or jurisdictional requirements that a subordinate must adhere to in order to operate, such as a physician practice operating in a state that has enacted corporate practice of medicine statutes.

### Analysis

Subordinates that are reported within a group exemption number are often operating within the same industry as the central organization, such as healthcare and higher education. Notice 2020-36, Section 3.03(d) allows the governing documents of subordinate organizations described in section 501(c)(3) to describe different charitable purposes.