



January 26, 2021

Dear 4-H Leaders:

We have an IRS tax reporting update to share. Thank you for all of the work that Marla Lowder and Pete Pinney have done over the past two years to update our 501(c)3 reporting requirements with the IRS so that our 4-H clubs fall under the 501c3 umbrella. We appreciate your patience and understanding the “fix” that complies with the IRS code regulations under new guidance issued in November.

Pete has worked with us on our taxes for the last few years and has been a tremendous help working directly with the IRS to get Alaska 4-H Inc (our 501c3) a General Exemption Number (GEN). The goal is to designate AK 4-H Inc. as the umbrella organization and extend that non-profit status to all Alaska 4-H clubs through a uniform practice.

We are filing for an extension for the 2020 tax year. We would like to keep the February 15, 2021 deadline for clubs to provide all documentation, if possible. There will be a number of steps for all of our clubs to follow in order to be under the AK 4-H Inc. 501c3 umbrella. Don't stress. We will work with you to prepare this material for the IRS and our tax application package complete so we only need a simple annual update.

Pete will be contacting each club leader to work with you on gathering the appropriate documentation and to answer any questions. Please feel free to reach out to Pete or myself at any time with questions.

The next three questions are a good beginning point for starting the process:

1) "Does the club have an EIN?"

If yes, it can be listed on a Google doc or similar type data sheet we will create if accessing Google tools. If your 4-H club does NOT have an Employer Identification Number (EIN) with the IRS, please apply for this immediately. Directions maybe found on the Alaska 4-H website at

http://www.alaska4h.org/uploads/1/4/0/2/14026701/ein_application_screen_shots_for_clubs.pdf

We can assist in securing an EIN online if you have trouble with the link provided above.

2) "If the club has an EIN, does it also have a 501c3 determination letter from the IRS confirming non-profit 501(c)3 status?"

If yes, the club can send in a 990-N postcard if its 3-year average revenue is under \$50,000 per year. If over, the club will need to submit a regular 990. Pete can assist in the creation of the 990.

If the club has an EIN but does not have a 501(c)3 determination letter, Pete can assist with contacting an IRS customer service representative through a dedicated contact line to the IRS. The customer service rep can create a "sub mod (module) data sheet" under the club's EIN, which takes the place of the 990-N postcard.

3) "If the club has both an EIN and a determination letter, but the 501(c)3 status has been revoked because of a three-year lapse in submitting a 990-N (for whatever reason), the club can submit a reinstatement form and fee to regain the status. Another option is to change the name of the club and apply for a new EIN without seeking a determination letter, since we will be able to place it under the GEN, once in place.

The attached IRS Publication 4573 contains the list of documentation we will collect to submit the application for the General Exemption Number (GEN). We will try to create an electronic repository for these items to place in the GEN application packet.

Again, thank you for your continued patience in this matter. We will get there.

Regards,

Candi Propp Dierenfield

Peter Pinney



Group Exemptions

What is a group exemption letter?

The IRS sometimes recognizes a group of organizations as tax-exempt if they are affiliated with a central organization. This avoids the need for each of the organizations to apply for exemption individually. A group exemption letter has the same effect as an individual exemption letter except that it applies to more than one organization.

What is the reason for group exemptions?

Group exemptions are an administrative convenience for both the IRS and organizations with many affiliated organizations. Subordinates in a group exemption do not have to file, and the IRS does not have to process, separate applications for exemption. Consequently, subordinates do not receive individual exemption letters.

What types of organizations can qualify for group exemptions?

Exempt organizations that have, or plan to have, related organizations that are very similar to each other may apply for a group exemption.

What are central and subordinate organizations?

Groups of organizations with group exemption letters have a “head” or main organization, referred to as a central organization. The central organization generally supervises or controls many chapters, called subordinate organizations. The subordinate organizations typically have similar structures, purposes and activities.

Example: X is a national, fraternal organization exempt under Internal Revenue Code (IRC) Section 501(c)(8). X has several state and hundreds of local chapters that have nearly identical articles of incorporation, by-laws, purposes and activities. As the national organization, X is considered the central organization; the state and local chapters are subordinate organizations and are covered under X's group exemption.

What criteria must organizations meet to be included in a group exemption?

To qualify for a group exemption, the central organization and its subordinates must have a defined relationship. Subordinates must be:

- Affiliated with the central organization;
- Subject to the central organization's general supervision or control; and
- Exempt under the same paragraph of IRC 501(c), though not necessarily the paragraph under which the central organization is exempt.

[Revenue Procedure 80-27, 1980-1 C.B. 677](#) sets forth additional criteria.

Must the central organization be recognized by the IRS as tax-exempt before the organization can obtain a group exemption?

No. A central organization may submit its request for a group exemption at the same time it submits its exemption application on Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code; Form 1024, Application for Recognition of Exemption Under 501(a); or Form 1024-A, Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code. Although churches are not required to apply for recognition of their own status to be tax-exempt, under the procedures for group rulings, a church must request recognition of its own exempt status to be the central organization in a group ruling.

Are there any special rules for churches?

With limited exceptions, churches are subject to the same general requirements on group rulings as other organizations. However, churches are not required to file annual updates notifying the IRS of changes in the composition of the group.

Where does a central organization apply for exemption and submit a request for a group exemption?

A central organization submits its application for exemption, the request for a group exemption and the required user fee as directed in the most recent revenue procedure on Exempt Organizations determination letters on exempt status ([Rev. Proc. 2019-5](#), updated annually).

What must a request for a group exemption contain?

The central organization submits a letter to the IRS on behalf of itself and its subordinates. The letter includes:

- a. Information verifying the existence of the required relationship;
- b. A sample copy of a uniform governing instrument (such as a charter, trust indenture or articles of association) adopted by the subordinates;
- c. A detailed description of the subordinates' purposes and activities including the sources of receipts and the nature of expenditures;
- d. An affirmation by a principal officer that, to the best of the officer's knowledge, the subordinates' purposes and activities are as stated in (b) and (c) above;
- e. A statement that each subordinate to be included in the group exemption letter has furnished written authorization to the central organization;
- f. A list of subordinates to be included in the group exemption letter to which the IRS has issued an outstanding ruling or determination letter relating to exemption;
- g. If the application for a group exemption letter involves IRC 501(c)(3), an affirmation to the effect that, to the best of the officer's knowledge and belief, no subordinate to be included in the group exemption letter is a private foundation as defined in IRC 509(a);
- h. For each subordinate that is a school claiming exemption under IRC 501(c)(3), the information required by [Rev. Proc. 75-50, 1975-2 C.B. 587](#) (as modified by [Rev. Proc. 2019-22, 2019-22 I.R.B 1260](#)) and [Revenue Ruling 71-447, 1971-2 C.B. 230](#); and
- i. A list of the names, mailing addresses (including ZIP Code), actual addresses (if different) and employer identification numbers of subordinates to be included in the group exemption letter. A current directory of subordinates may be furnished in lieu of the list if it includes the required information and if the subordinates not to be included in the group exemption letter are identified.

The rules for applying for a group exemption are set forth in [Rev. Proc. 80-27, 1980-1 C.B. 677](#).

How does the group exemption process work?

Upon receipt of an application Form 1023, 1024 or 1024-A and a request for group exemption, the IRS first determines whether the central organization and the existing subordinates qualify for tax exemption. Once the IRS grants the exemption, the central organization is responsible for:

1. Ensuring that its current subordinates continue to qualify to be exempt;
2. Verifying that any new subordinates are exempt; and
3. Updating the IRS annually of new subordinates, subordinates no longer to be included and subordinates that have changed their names or addresses.

What is included in an annual update?

Annual updates must contain:

- a. Information about changes in purposes, character or method of operation of subordinates included in the group exemption letter.
- b. Lists of:
 1. Subordinates that have changed their names or addresses during the year;
 2. Subordinates no longer to be included in the group exemption letter because they have ceased to exist, disaffiliated or withdrawn their authorization to the central organization; and
 3. Subordinates to be added to the group exemption letter because they are newly organized or affiliated or have newly authorized the central organization to include them.

Each list must show the names, mailing address (including ZIP Codes), actual address (if different) and employer identification numbers of the affected subordinates.

An annotated directory of subordinates will not be accepted for this purpose. If none of these changes occurred, the central organization must submit a statement to that effect.

- c. The same information about new subordinates that was required in the initial request. If a new subordinate does not differ in any material respects from the subordinates included in the original request, however, a statement to this effect may be submitted in lieu of detailed information.

Where does a central organization submit an annual update?

Annual updates go to:

Internal Revenue Service Center
Ogden, Utah 84201-0027

What are the filing requirements for organizations that hold group exemptions?

A group exemption letter does not change the filing requirements for exempt organizations. The central organization and the subordinates must file Forms 990, Return of Organization Exempt from Income Tax, (or 990-EZ, Short-Form Return of Organization Exempt from Income Tax), unless they meet a filing exception. If the central organization is required to file an annual return, it must file its own separate return but may also file a group return on behalf of some or all its subordinates. To see how the subordinates are reported on a group return, please consult the form instructions.

How do I verify that an organization is included as a subordinate in a group exemption ruling?

The central organization that holds a group exemption (rather than the IRS) determines which organizations are included as subordinates under its group exemption ruling. Therefore, you can verify that an organization is a subordinate under a group exemption ruling by consulting the official subordinate listing approved by the central organization or by contacting the central organization directly. You may use either method to verify that an organization is a subordinate under a group exemption ruling.

How do donors verify that contributions are deductible under Section 170 with respect to a subordinate organization in a Section 501(c)(3) group exemption ruling?

Subordinate units that are included in group exemption letters are not listed separately in [Tax Exempt Organization Search](#) (Publication 78 data). Donors should obtain a copy of the group exemption letter from the central organization. The central organization's listing in Tax Exempt Organization Search will indicate that contributions to its subordinate organizations covered by the group exemption ruling are also deductible, even though most subordinate organizations are not separately listed in Tax Exempt Organization Search or on the Exempt Organizations Business Master File. Donors should then verify with the central organization, by either of the methods indicated above, whether the particular subordinate is included in the central organization's group ruling. The subordinate organization need not itself be listed in Tax Exempt Organization Search or on the EO Business Master File. Donors may rely on central organization verification about deductibility of contributions to subordinates covered in a Section 501(c)(3) group exemption ruling.

Where can you get more information?

You can get more information about group exemptions and the group ruling process from the IRS Exempt Organizations Office:

EO Website www.irs.gov/eo

Publication 557, Tax-Exempt Status for Your Organization

EO Customer Account Services

You may direct questions about group exemptions to the IRS Tax Exempt and Government Entities Customer Account Services at 877-829-5500 (toll-free number).

If you prefer to write, you may write us at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201