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# Staying Ahead of the Curve: Key Tax and Regulatory Developments Impacting Healthcare Organizations



**Practical IRS guidance, audit trends, and readiness actions for CFOs, controllers, tax directors, and compliance leaders**

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# Agenda

01 Legislative Developments

02 IRS Trends and Exam Exposure

03 Healthcare Regulatory/Industry Updates

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# Legislative Developments

**2025–2026 developments with direct impact on hospitals and health systems**

# OBBB Provisions for Tax Exempt Organizations



**Broader §4960 compensation tax on EOs and related entities**

- "Covered employees" includes **all** current and past employees (post- 2016)
- Treasury and the IRS indicated in Notice 2026-36 that the regulatory exceptions will continue to apply… awaiting proposed regulations



**Charitable giving changes**

- Non-itemizer deduction of $1,000/$2,000
- Individual 0.5% floor for gifts
- Individual 60% cash gift AGI limit
- Corporate 1% floor for corporate gifts
- Scholarship granting organization credit (§25F)



**Employer, employee benefit and other reporting provisions**

- Various fringe benefits changes – including Trump accounts
- Employer reporting of tips, overtime
- $2,000 threshold for Form 1099
- Some Employee Retention Tax Credits won't be paid
- NMTC, QOZ are permanent



**Clean energy tax credit changes, direct pay for EOs still available**

- Credits phase out early for clean vehicles, EV charging, solar projects
- Domestic content req's
- §179D ended 6/30/26



**Updated §4968 university endowment tax**

- Tiered rates up to 8% based on student adjusted endowment
- 3,000 tuition-paying student threshold (up from 500)
- NII inclusion of certain interest and royalties

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# OBBB: Expanded §4960 Tax on EO Compensation

Before OBBB, only the top 5 highest-paid employees each year were classified as “covered employees.”

Notice 2026-36 (June 2026) retains the “limited hours” and “non-exempt funds” exceptions but eliminates “limited services” (reliance allowed pending regs).

Beginning in 2026, *any* employee of the applicable tax-exempt organization (ATEO) may be covered; 2017–2025 employees only if covered under prior law.

Tax rate remains 21%.

This expansion will require large organizations to adopt new operational mechanisms for identifying and collecting information about employees whose compensation may trigger tax liabilities.

Impacts ATEO, related entities, remuneration over $1M and parachute payments



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# OBBB: Expanded §4960 Tax on EO Compensation



## 4960 Tax: What Should Exempt Organizations Do?

Identify any employee/former employee whose remuneration could exceed $1M and determine if tax is due.

- Tax years beginning after 12/31/2025: Any ATEO employee may be covered; 2017–2025 employees only if covered under prior law
- Remuneration (incl. certain deferred comp) from related entities aggregates toward $1M; ATEO pays tax only on its share.

Examine payments contingent on involuntary separation to confirm they do not result in “excess parachute payments,” or to calculate tax due on a parachute payment.

Alert board/officers to the changes and consider impact on related entities.

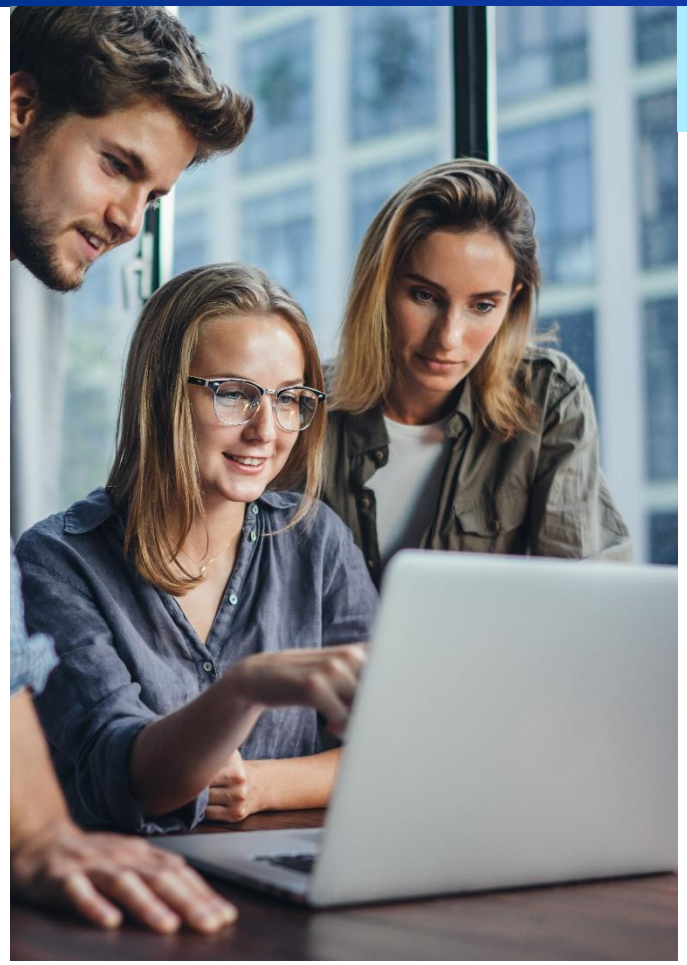
Document reliance on the limited hours and nonexempt funds exceptions (limited services exception eliminated) pending proposed regs.

Use this as an opportunity to review Form 990, Part VII and Schedule J listing of employees and compensation.

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# OBBB: Expanded §4960 Tax on EO Compensation



## 4960 Tax: What Should Related Organizations Do?

Identify ATEOs that are related for purposes of section 4960.

Identify any employees who are also employees or volunteers at the related ATEOs (or were formerly employees or volunteers post-2016).

- Limited services exception eliminated post-2025: Previously excluded individuals may now be covered, with related-org pay taxed (esp. corporate foundations).
- Limited hours and nonexempt funds exceptions may be relied on pending regs.

If compensation paid in the aggregate triggers tax liability, compute portion owed by related organization and file Form(s) 4720.

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# OBBB: Charitable Giving Changes



### New (and bigger) non-itemizer deduction

- $2,000 for married taxpayers filing jointly and $1,000 for others

### New charitable contribution deduction floors

- Individual giving floor of 0.5% of adjusted gross income (AGI)
- Corporate giving floor of 1% of taxable income (10% limit still applies)
- Bunching of gifts continue in 2026 and beyond?

### Individual cash giving limitation

- Temporary TCJA threshold of 60% AGI made permanent (prior 50%)

### New credit of up to $1,700 for gifts to “scholarship granting organizations” (§25F)

- SGO are 501(c)(3) organizations that receive donations to provide scholarships to K-12 students for “qualified educational expenses”
- States must elect to participate

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# OBBB: Employer/Reporting Provisions



**Tips/overtime**. Required employer reporting will be necessary to support worker above-the-line deductions for certain qualified tips and overtime pay for 2025-2028.



**Form 1099 reporting**. For payments made after December 31, 2025, reporting thresholds for Form 1099-MISC and 1099-NEC were raised to $2,000 (from $600) and indexed for inflation beginning in 2027. Conforming changes were made to the backup withholding threshold (now $2,000 as well).



**Employer-provided child-care credit (§45F).** Permanently increased (and indexed for inflation) the nonrefundable credit for qualified expenditures for employer-provided child-care facilities and child-care referral services.



**Paid FMLA credit (§45S).** Expanded credit of up to 25% of qualifying wages may offset UBIT liability, except that 501(c)(3) wages may be excluded due to FUTA wages reference (§3306)

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# OBBB: Employee Benefit Provisions



**Student loan payments**. Exclusion from income of up to $5,250 for employer payment of student loans (as part of §127 “qualified educational assistance”) made permanent and indexed for inflation.

**Dependent care assistance.** The maximum exclusion for dependent care assistance was increased from $5,000 to $7,500. (§129)

**Trump account contributions.** Employer contributions to “Trump accounts” (new §530A) of up to $2,500 per employee (indexed for inflation after 2027) are excludable from employee income. Requirements similar to dependent care assistance programs (e.g., written plan, nondiscrimination, etc.) apply. (§128).

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# IRS Trends and Exam Exposure

Translate trends into risks to prioritize.

# Business Tax Account Platform for Exempt Organizations

On April 6, 2026, the IRS announced the expansion of the Business Tax Account platform to include tax-exempt organizations, as well as partnerships and various government entities. This change means that tax-exempt organizations now have the same digital access that was previously limited to sole proprietors and corporations.

For exempt organizations and their designated representatives, the Business Tax Account now provides direct online access to manage federal tax responsibilities.

## What you can do

- Access all information in the account:

### Business profile

View business information on file and manage access for Designated Users.

### Account balance

View total amount owed and details by year.

### Payments

Make federal tax deposit, balance due, advance payments and more. View payment history.

### Tax records

View tax transcripts, EIN verification letter and tax compliance reports.

### Notices and letters

View IRS notices and letters.

### Authorizations

Approve or reject tax transcript requests submitted through the Income Verification Service (IVES).

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# IRS Staffing Cuts and Status of IRS Capacity.

| | | | |
|---|---|---|---|
| Tax Exempt/Government Entities (TE/GE) | 2,286 | 1,670 | ▼ -26.95% |



**FIGURE 1.3, IRS Personnel Losses by BOD/Function (as of June 4, 2025)[1]**

| IRS Business Operating Division/Function | Staffing as of January 25, 2025 | Projected Staffing After Separations | Percent Change From January 25, 2025 |
|---|---|---|---|
| Chief Counsel | 2,740 | 2,387 | ▼ -12.88% |
| Chief Financial Office (CFO) | 578 | 404 | ▼ -30.10% |
| Chief Operating Officer (COO) | 139 | 71 | ▼ -48.92% |
| Chief Tax Compliance Officer (CTCO) | 10 | 1 | ▼ -90.00% |
| Communications and Liaison (C&L) | 379 | 211 | ▼ -44.33% |
| Criminal Investigation (CI) | 3,589 | 3,221 | ▼ -10.25% |
| Direct File (DF) | 27 | 5 | ▼ -81.48% |
| Enterprise Case Management Office (ECMO) | 51 | 15 | ▼ -70.59% |
| Facilities Management and Security Services (FMSS) | 1,212 | 894 | ▼ -26.24% |
| Human Capital Office (HCO) | 2,927 | 2,079 | ▼ -28.97% |
| Independent Office of Appeals (Appeals) | 1,775 | 1,275 | ▼ -28.17% |
| Information Technology (IT) | 8,647 | 6,316 | ▼ -26.96% |
| IRS Headquarters (HQ) | 50 | 22 | ▼ -56.00% |
| Large Business and International (LB&I) | 6,763 | 5,402 | ▼ -20.12% |
| Office of Chief Risk Officer (CRO) | 37 | 21 | ▼ -43.24% |
| Office of Civil Rights and Compliance (OCRC) | 178 | 90 | ▼ -49.44% |
| Office of Professional Responsibility (OPR) | 21 | 15 | ▼ -28.57% |
| Online Services (OLS) | 220 | 97 | ▼ -55.91% |
| Privacy, Government Liaison and Disclosure (PGLD) | 656 | 456 | ▼ -30.49% |
| Procurement | 585 | 306 | ▼ -47.69% |
| Research, Applied Analytics and Statistics (RAAS) | 620 | 442 | ▼ -28.71% |
| Return Preparer Office (RPO) | 119 | 75 | ▼ -36.97% |
| Small Business/Self-Employed (SB/SE) | 24,120 | 15,566 | ▼ -35.46% |
| Tax Exempt/Government Entities (TE/GE) | 2,286 | 1,670 | ▼ -26.95% |
| Taxpayer Advocate Service (TAS) | 1,970 | 1,480 | ▼ -24.87% |
| Taxpayer Experience Officer (TXO) | 106 | 55 | ▼ -48.11% |
| Taxpayer Services (TS) | 42,134 | 33,053 | ▼ -21.55% |
| Transformation and Strategy Office (TSO) | 80 | 4 | ▼ -95.00% |
| Whistleblower Office (WO) | 94 | 69 | ▼ -26.60% |
| TOTAL | 102,113 | 75,702 | ▼ -25.86% |

1 IRS, Human Capital Office data (as of June 4, 2025).

National Taxpayer Advocate FY 2026 Objectives Report to Congress
www.TaxpayerAdvocate.irs.gov/ObjectivesReport2026

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# Data Driven Examinations

**Decreased headcount + increased digital data + advancing technology = more data-driven examinations**

Fewer examiners: ~25% of the IRS workforce departed by May 2025, including ~27% of tax examiners *(TIGTA 2025-IE-R027)*

More data: Form 990 (incl. Schedule H) and 990-T generally e-filed; IRS has used Form 990-based analytic models to select EO exams since 2016 *(GAO-20-454)*

**AI is the next step**

IRS AI use cases grew from 10 (Aug. 2022) to 126 (June 2025), mostly for efficiency and compliance/fraud detection; 61% still in development *(GAO-26-107522, Mar. 2026)*

TE/GE FY 2026 Program Letter: Incorporating AI into compliance operations and inventory management *(IRS Pub. 5313)*

Case-selection models could better use exam results; TIGTA called for metrics to track performance and model drift *(TIGTA 2025-308-022, May 2025)*

**Takeaway: Efficiency and innovations driven by Data Analytics and AI on the preparation are also available on the examination.**

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# TE/GE Fiscal Year 2026 Program Service Letter (Mar. 4, 2026)

"Collaborate across IRS on highly complex and/or emerging issues including, but not limited to, examinations of tax-exempt hospitals, tax-exempt collectives utilizing NIL, arbitrage in tax-advantaged financings, implementation of provisions of OBBBA and combatting fraud/abusive transactions."

## Compliance Strategies – Exempt Organizations

- Loans to disqualified persons
- Government grant abuse prevention and compliance
- **Tax-exempt hospitals**
- "Illicit financing activities" by exempt organizations



Source: https://www.irs.gov/government-entities/tax-exempt-government-entities-compliance-program-and-priorities

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# 2026 – 2027 Priority Guidance Plan

## Overview

- Initial version released **Sept. 29, 2026**
- Plan year now tracks the federal fiscal year: **Oct. 1, 2026 – Sept. 30, 2027**
  - Prior plans ran on a July–June cycle
- **121** guidance projects (vs. 105 in the 2025-2026 plan)
- Priority areas: OBBBA implementation; deregulation & burden reduction; tax-exempt organizations; Tribal tax issues; and digital assets
- Prior-year items dropped if completed or deprioritized; plan will be updated during the year, with more deregulatory items expected



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# 2026 – 2027 Priority Guidance Plan (Continued)

## Tax-Exempt Organizations

- **Final** regs: racial nondiscrimination policy for private schools seeking §501(c)(3) status
  - Proposed regs published Sept. 4, 2026
- Prohibition on political campaign intervention (the "Johnson Amendment")
- **New:** Guidance revising Rev. Proc. 2026-08 for certain types of group exemption letters
- §§4966 and 6033 guidance on certain donor advised fund arrangements
- **New:** §6033 EO information reporting, including fiscal sponsorship arrangements
  - Ties to the Form 990 "Transparency Initiative"
- **New:** Final regulations under §§148 and 150 on refunding bonds. Proposed regulations were published on March 12, 2026.



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# 2026 – 2027 Priority Guidance Plan (Continued)

## One Big Beautiful Bill Act Implementation

- §4960 regs on excess compensation paid by ATEOs, including the expanded definition of "covered employee"
  - Notice 2026-36 issued; proposed regs forthcoming
- §4968 regs on the excise tax on private college and university investment income
- §25F regs on the credit for gifts to scholarship granting organizations
- **Tax credits:** §45F employer-provided child care credit; §45S paid family and medical leave credit



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# 2026 – 2027 Priority Guidance Plan (Continued)

## Deregulation & Burden Reduction

- §4945 expenditure responsibility requirements
- §6104 place for public inspection of EO materials
- Prior-year final §4966 DAF regs item no longer listed here
  - DAFs now appear under Tax-Exempt Organizations (§§4966/6033 guidance)



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# 2026 – 2027 Priority Guidance Plan (Continued)

## Still Omitted

- Application of the regulations under §501(r)
  - Mention of “Guidance on health care related tax matters” as an other priority.
- Allocation of unrelated business income tax expenses and net operating loss limitations
- Private foundations coinvesting with DPs
- DAF guidance under §§4958 and 4967



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# Form 990 "Transparency Initiative"



- Treasury Press Release April 23, 2026: https://home.treasury.gov/news/press-releases/sb0470
- IRS plans to revise the Form 990 to
  - **Improve transparency**,
  - **Strengthen tax administration**, and
  - **Provide clearer reporting** on certain activities of section 501(c)(3) tax-exempt organizations, including government contracts, government grants, and fiscal sponsorship arrangements.
- "Tax-exempt status is not immunity from scrutiny," said then-Treasury Assistant Secretary and Acting IRS Chief Counsel Ken Kies. "If an organization receives public funds or tax-deductible donations, it should be prepared to show who controls the money and where it goes."

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# Form 990 "Transparency Initiative" to Expose Hidden Funding and Strengthen Oversight

## What to expect?

- Proposed regulations with opportunity for public comment
- Potential changes to Form 990, Part III, Schedule F, Schedule H, Schedule I, Schedule R, etc.
  - Example – detailed disclosure of public funding sources and use of public funds
  - Example – additional reporting obligations on tax-exempt hospitals
- Instructional changes to even greater swath of the Form 990
- Potential for more targeted IRS exams

## How can your organization prepare?

- Organizations in receipt of Federal funds to review tracking of funds from receipt to expenditure, noting grant restrictions
- Document control relationships within fiscal sponsorships – who controls the funds?
- Review related entities and pass-through entities for appropriate governance policies and procedures

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# Tax Exempt Hospital Transparency Act



**Overview**
Introduced June 29, 2026, H.R. 9504 would enact new section 6033A imposing additional reporting obligations on all tax-exempt hospital organizations, with increased reporting for large and “high revenue” organizations.



## Short title

H.R. 9504 — “Tax Exempt Hospital Transparency Act”



## Introduced by

Rep. Gregory F. Murphy, MD (R-NC); co-sponsored by Rep. Lloyd Smucker (R-PA)



## Committee action

Passed Ways & Means on July 1, 2026 by 25–15 party-line vote.



## Ranking member comment

Richard Neal, D-Mass., said the bill “piles on duplicative reporting requirements with no clear benefit.”

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# Tier 1 – All Tax-Exempt Hospital Organizations

**Every section 501(c)(3) hospital — regardless of size — would have to include three new items on its Form 990 relating to section 501(r)**

**Applies to every tax-exempt hospital organization required to file a Form 990**

**A**

### CMS Certification Number

CMS certification number of the organization (or such other identifying information as the IRS may require)



**B**

### FAP Assistance Cost

Value at cost of financial assistance provided under the organization's FAP (§ 501(r)(4))



**C**

### FAP Application Counts

Number of financial assistance applications received, granted, and denied under the FAP



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# Tier 2 – Large Tax-Exempt Hospital Organizations

**Organization with more than 100 staffed inpatient beds — excluding critical access and rural emergency hospitals — would face a second (additional) tier of reporting.**



**Separate facility-by-facility reporting required — in addition to organization-level disclosures – for both Tier 1 and Tier 2**

- Three highest-priority community health needs from the most recent CHNA, the amount spent and actions taken per priority need, and a description of impact on community health
- Amount spent on “quality improvement programs,” defined as any program, initiative, or department, with the primary purpose of improving health outcomes for patients of the organization, which may include —
  - Education and training, compliance with quality improvement programs (such as quality improvement programs under the Medicare program), and technical assistance
- Amount spent on nonclinical programming (administrative and operational functions)

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# Tier 3 – High Revenue Tax-Exempt Hospital Organizations

**Organizations* exceeding $100 million in net patient revenue (adjusted for inflation) face the most extensive obligations, including service-line economics and 340B drug program disclosures — linked to a new HHS taxonomy**

**Threshold: Net patient revenue > $100 million — additional annual disclosures required [5]**

**Advertising Costs**
Allowable and unallowable amounts under CMS cost reports

**Service Line Economics**
Each health service line: Gross receipts and costs mapped to HHS-published standardized taxonomy

**HHS Taxonomy Timeline**
HHS must publish taxonomy within 2 years of enactment; updated at least every 5 years

## 340B Drug Discount Program Disclosures (Participating Organizations)

### Required 340B Disclosures

Number of individuals who received 340B-covered drugs, by insurance type

Aggregate net 340B payment amount (excess of payment received over 340B ceiling price or acquisition cost, whichever is lower)

Aggregate cost of administering and complying with the 340B program

**Separate facility-by-facility reporting required — in addition to organization-level disclosures -- for Tier 1, 2, and 3**

* Other than critical access hospitals and rural emergency hospitals

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# Effective Dates

The new requirements would apply to tax years beginning after the date that is 1 year after the date of the publication of the first standardized health service line taxonomy by HHS (which is required within 2 years of enactment)

**Exception:**
Tax-exempt hospital organizations that are neither large or high revenue would have to report on FAP assistance costs and FAP applications in tax years beginning after the date that is 3 years after the date of the enactment



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03

# Healthcare Regulatory/Industry Updates

# The 2025 TIGTA Audit Report

## TIGTA finding (Rev. Rul. 69-545)

TIGTA concluded the IRS lacks clear, objective criteria for “community benefit” under Rev. Rul. 69-545. The report notes that a vague standard makes it difficult to consistently assess whether hospitals operate primarily for exempt purposes.

## 142 hospitals missed

The report identified 142 hospitals that were not subjected to the expected tri-annual Community Benefit Activity Report (CBAR) reviews. This gap suggests that even large, high-impact filers may not be reviewed on a predictable cadence.



## Oversight constraints

TIGTA highlighted limits on IRS resources, data quality, and consistent review processes for community benefit oversight. These constraints reduce the IRS’s ability to identify higher-risk hospitals and to follow through with tri-annual review expectations.

## Why this matters

Increased motivation, despite reduced resources – what will impact be?

Prepare through focus on defensible community benefit methodologies and consistency between Schedule H narratives, accounting support, and operational reality. Community benefit documentation should not be treated as year-end reporting exercise.

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# What to Expect in 2026



| Pressure Point | What The IRS Looks For | Practical Control | Why This Matters | Data Signals to Monitor |
|---|---|---|---|---|
| 1. IRS agreed with all TIGTA recommendations<br>2. Expect uptick in tri-annual community benefit reviews<br>3. Shift from review to exams as 501(r) selection expands | 1. Broader IDRs: end-to-end support for Schedule H and 501(r)<br>2. Operational testing: FAP notices, ECA controls, billing/vendor oversight | 1. Refresh documentation: policies, workflows, and reconciliations to filings<br>2. Run an internal 501(r) compliance audit now; remediate gaps before exam | The IRS is modernizing selection and expanding 501(r) exams—prepare for deeper document requests and operational walkthroughs. | Monitor data signals: Schedule H variances, charity care trends, AGB/charges, ECA rates, collection vendor activity, and inconsistencies across Form 990 and financial statements. |

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# Why Community Benefit Standards Shift

## Reporting consistency expectations

Regulators increasingly tie community benefit to mission execution and financial performance, not narrative. Expect questions on consistency across Form 990 Schedule H, audited financials, budget/strategy materials, and revenue-cycle practices.

## FPG baselines in practice

Federal Poverty Guidelines baselines: Show eligibility rules, discounts, charity tools, bad-debt vs charity classifications. Policy vs operations misalignment—vendors, workflows, patient comms—triggers scrutiny.

## Auditable methods and governance

Objective: Auditable, repeatable calculations and a clear story linking spend to community needs, measurable outcomes, and governance oversight. Treat documentation—methodology, approvals, reconciliations—as a readiness asset for IRS, state, and media review.

## Exemption rules and scale

Rev. Rul. 69-545 remains the hospital exemption baseline, but “community benefit” is under renewed challenge. AHA reports $149B (15.1% of expenses), increasing focus on how amounts are calculated, supported, and explained in tax and financial reporting.

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# Practical metrics: Track & document



| Charity care at cost | FPG tiers | Uninsured/AGB | CHI spend & outcomes | Billing to FAP alignment |
|---|---|---|---|---|
| Refresh quarterly for trends.<br>**Definition:** Financial assistance write-offs at cost.<br>**Sources:** Schedule H; cost report; audited financials. | **Definition:** FPG thresholds, discount tiers, presumptive charity.<br>**Sources:** FAP; billing build; vendor procedures.<br>**Retain:** Config screenshots; vendor SOPs; training; approvals. | **Definition:** AGB calculation/ application; variance monitoring.<br>**Sources:** Revenue-cycle reporting; AGB file.<br>**Retain:** AGB support; monitoring; exception evidence. | **Definition:** Community health programs tied to CHNA; measurable results.<br>**Sources:** CHNA; implementation strategy; program accounting. | **Definition:** Workflows match FAP: screening, notices, ECAs.<br>**Sources:** Patient-billing metrics; account samples.<br>**Retain:** Sampling results; notice templates; call scripts; ECA controls; vendor attestations. |

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# Group Ruling Update

# Updates on Group Exemptions

# New requirements for Group Rulings

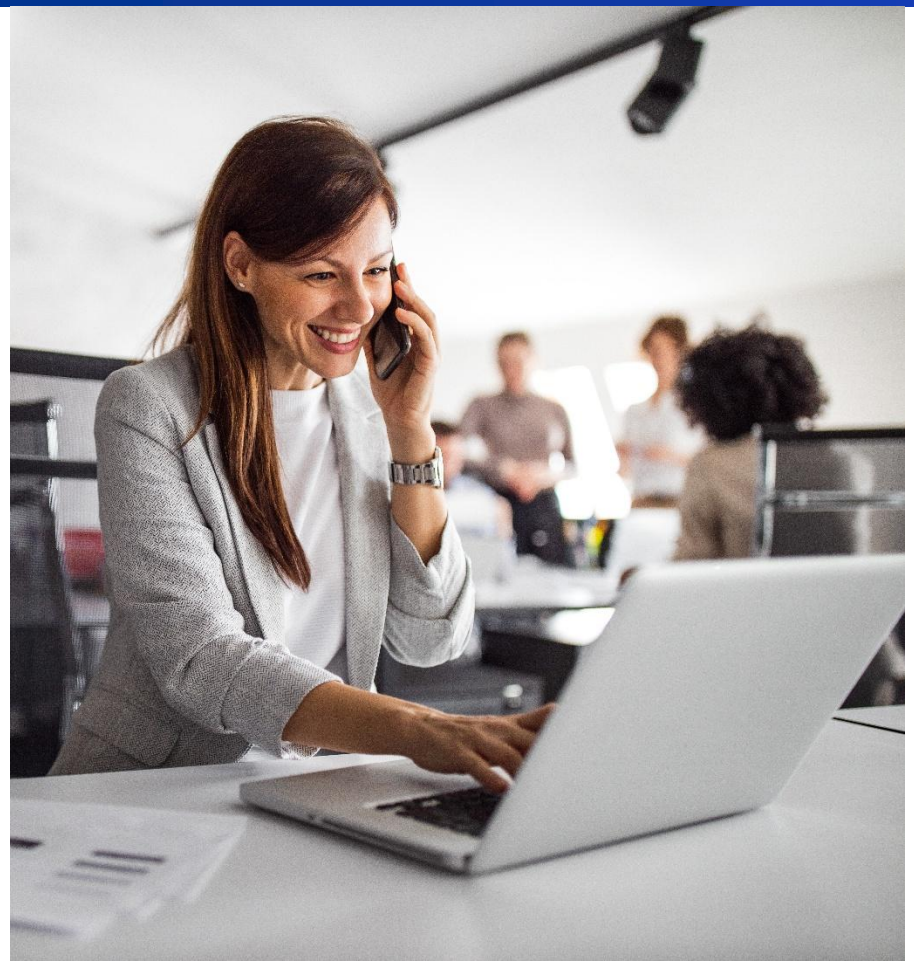


- On Jan. 15, 2026, the IRS released Rev. Proc. 2026-8, setting forth updated procedures to obtain and maintain group exemption letters
  - Applies to group exemption letters applied for after Jan. 20, 2026, as well as to preexisting group exemption letters (with some exceptions and transition rules)
- The IRS also released Notice 2026-08, which discusses the comments received in response to the proposed revenue procedure in Notice 2020-36, along with the modifications made in response to those comments
  - Rev. Proc. 2026-8 omits many of the more burdensome requirements proposed in Notice 2020-36

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# New requirements that go into effect on January 22, 2027



- For clients that had a group exemption letter prior to 2026, a few new requirements go into effect on January 22, 2027.
- Certain questions on Form 15644 ask about compliance by the due date of the annual "supplemental group ruling information" (SGRI) filing, which is at least 30 days before the close of the central organization's tax year. For example:
  - Sept. 30 year-end: Due August 31
  - Calendar year-end: Due December 1
- Most significantly, each subordinate—both pre-existing and new—must be "affiliated" with the central organization and subject to its "general supervision" or "control," based on the new definitions in Rev. Proc. 2026-8.

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# Form 15644: New form for SGRI submission process

**Central organizations maintaining group exemption letters will use Form 15644 for annual SGRI filing**

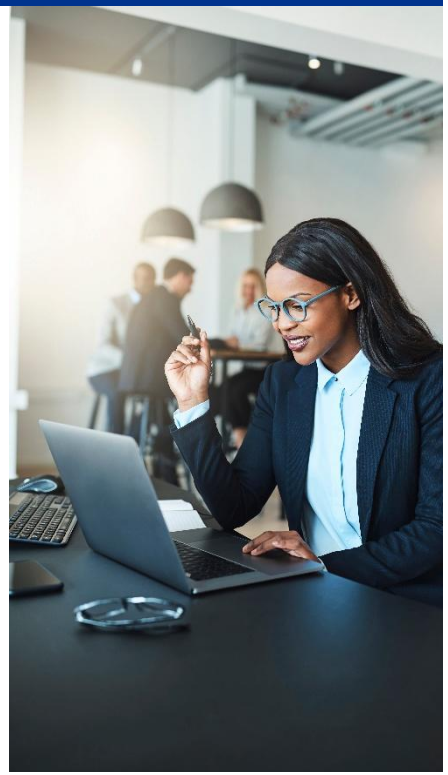
**Core point:**
**The IRS announced that Form 15644 is the required form for annual Supplemental Group Ruling Information (SGRI) submissions under Rev. Proc. 2026-8.**

## Who files?

- Generally, any central organization with one or more subordinate organizations
- Churches and conventions or associations of churches under section 501(c)(3) may submit, but are not required to do so

## What does the form do?

- Updates IRS records for subordinate organizations
- Adds or removes subordinates, terminates a group exemption, or provides other Rev. Proc. 2026-8 notices
- Must be submitted even if no changes are being made
- Provides a checklist of requirements



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# Form 15644: Timing and filing mechanics

## Annual filing window

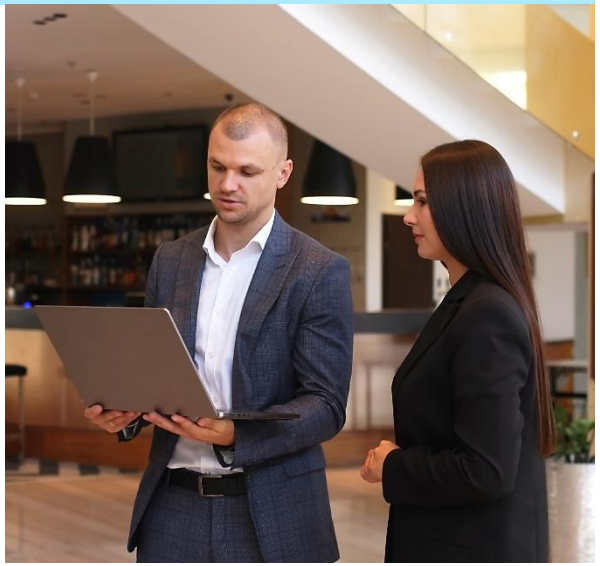
**Submit at least 30 days, but no more than 90 days, before the close of the central organization's accounting period.**

### Additional updates

- Central organizations may submit additional updates at any time
- Use the form to update subordinate information before filing a group return

### Submission method

- Completed forms must be submitted to the IRS by fax
- Fax number: 833-312-5228



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| Form 15644 (April 2026) | Department of the Treasury - Internal Revenue Service<br>**Supplemental Group Ruling Information** | OMB Number 1545-0047 |
|---|---|---|

a. For calendar year _____ or other tax year beginning _____ and ending _____

b. Central organization name

| c. Employer Identification Number (EIN) | d. Group Exemption Number (GEN) | |
|---|---|---|
| e. Number of subordinate organizations | f. IRC subsection of the subordinates | |
| g. Contact person | h. Title | i. Telephone number |

j. Type of filing

☐ Annual update ☐ Interim update ☐ Termination of group exemption by central organization

## Part I. Information About Subordinate Organizations

| | | | |
|---|---|---|---|
| 1. | Has there been any change to the purpose, character, or method of operation of any of your subordinates? If yes, provide explanation in Part III, Section A, Line 1. If no, skip Part III, Section A, Line 1 | ☐ Yes | ☐ No |
| 2. | Has any subordinate organization been automatically revoked for failure to file a required annual information return or notice for three consecutive years? If yes, complete Part III, Section A, Line 2. If no, skip Part III, Section A, Line 2 | ☐ Yes | ☐ No |
| 3. | Is each subordinate organization affiliated with and under the general supervision or control of a central organization? If no, describe the central organization's relationship with its subordination organization | ☐ Yes | ☐ No |
| 4. | Does this SGRI make any changes to any information included in the roster of subordinate organizations included in your most recent SGRI? If yes, complete the Information Change Roster in Part III, Section B. If no, skip Part III, Section B | ☐ Yes | ☐ No |

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# New definitions of "affiliated"

A subordinate is "affiliated" with the central organization if it is—

- A chapter, local, post, or unit
- Included in a group return
- Included in a directory that is updated annually

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# New definition of "general supervision"

**In assessing whether a subordinate organization is subject to its "general supervision," the central organization should determine whether it:**

- Annually obtains, reviews, and retains information on the subordinate organization's finances, activities, and compliance with annual filing requirements
  - This requirement may be satisfied by obtaining a copy of the subordinate organization's Form 990 or Form 990-EZ (but not Form 990-N)
  - This requirement would presumably be met if the subordinate is included in a group return

  **And**
- Annually transmits written information to (or otherwise educates) the subordinate organization about the requirements to maintain tax-exempt status



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# New definition of "control"

**In determining whether a subordinate is subject to its control, the central organization should determine whether--**

- It appoints a majority of the subordinate's directors or officers,
- A majority of the subordinate's directors or officers are its directors or officers, respectively, **or**
- There is a written agreement between it and the subordinate that evidences the central organization's control, e.g., giving the central organization
  - The right to approve the election of the subordinate's directors or remove directors at any time with or without cause
  - Direct control over the subordinate's activities and operations



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# Some more unusual circumstances

- Before Jan. 22, 2027, the central organization should confirm
  - It has at least one subordinate
  - It does not maintain more than one group exemption letter
- The central organization should immediately confirm that no subordinate—
  - Is a foreign organization
  - Is automatically revoked
    - Note that if more than half of the subordinates have had their exemptions automatically revoked, the IRS “may” terminate the group exemption letter



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# New subordinates added after January 20, 2026



**For any subordinate added to the group after January 20, 2026 (“new subordinate”), the central organization should confirm that the new subordinate—**

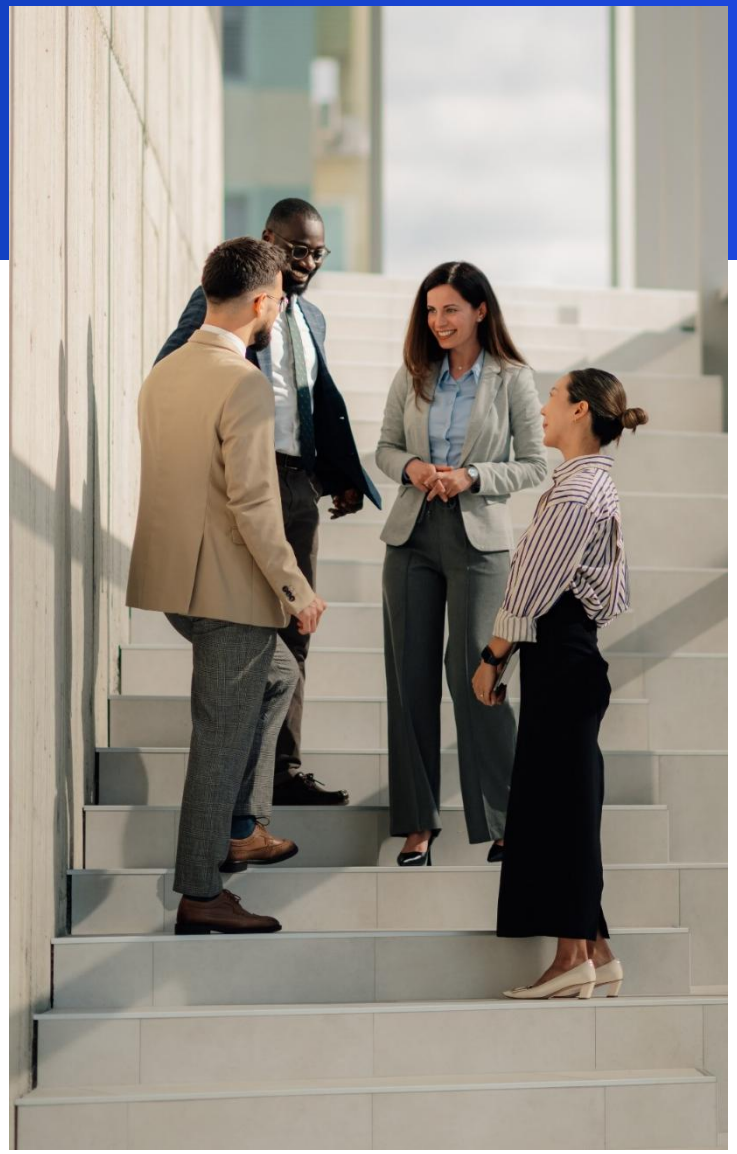
- Has a purpose statement in its articles of incorporation that is uniform with other new subordinates that share the same purpose
- Authorized the central organization in writing to be added to the group exemption letter, and therein acknowledged that the central organization may remove the subordinate organization from the group exemption letter with or without cause
- Is not a Type III supporting organization

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# What about Organizations potentially interested in a group ruling?

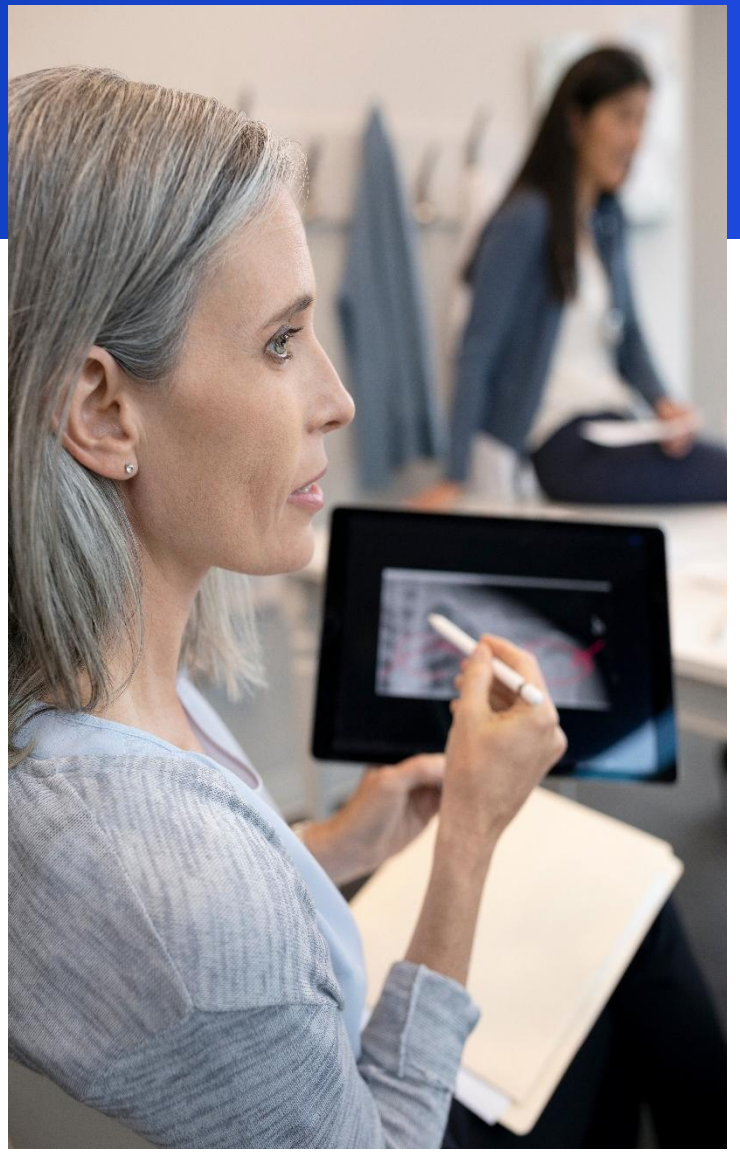
- Review pros and cons of a group exemption letter
- The group exemption letter application is e-filed on Form 8940, Schedule Q
  - The Schedule Q provides a good checklist of requirements
  - Most of Schedule Q is consists of representations but the following are required in narrative form:
    - A detailed description of each subordinate's purpose(s) and activities, including the sources of its receipts and the nature of its expenditures
    - The text of the uniform purpose statement(s) adopted by the subordinates sharing the same purpose
    - With respect to subordinates that are hospitals, the information necessary to establish that it meets the requirements of § 501(r) and Rev. Rul. 69-545 (regarding community benefit)
    - With respect to subordinates that are private schools, the information required by Rev. Proc. 75-50 (regarding non-discrimination)



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# Requirements for a group exemption letter



Among the requirements to consider:

- At least 5 subordinates must be included
- All subordinates must be described in the same paragraph of section 501(c)
- Each subordinate must be “affiliated” with the central organization and subject to its“general supervision” or “control” (discussed later)
- All subordinates with the same purpose must have a uniform purpose statement intheir articles of incorporation
  - May require amendments
- No subordinate may be a Type III supporting organization or foreign organization
- All subordinates included in a group return must have the same tax year
- Central organization must obtain written authorization from all subordinates to beincluded in the group exemption
- This authorization must now include an acknowledgment that the centralorganization may remove the subordinate with or without cause

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# Pros and cons of a group ruling: Obtaining exemption

## Advantages



- *Fewer Form 1023 filings* – New subordinates may be added to the group exemption by the central organization without the subordinates needing to separately apply to the IRS for exemption

## Administrative Disadvantages



- Initial effort and cost associated with obtaining group exemption (user fee is currently $3,500)
  - Even for subordinates with determination letters, must submit detailed description of activities and demonstration of meeting Rev. Rul. 69-545 and 501(r) requirements
  - Certain articles of incorporation may have to be amended to have “uniform purpose” statements
- “Glitches” with EO business master file

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# Pros and cons of a group ruling: Filings

## Advantages

- *Fewer Form 990 filings* – a single return may be filed for all subordinates, with the central organization also filing its own separate return

## Disadvantages

- Annual statement due to the IRS at least 30 days before the end of the organization's tax year
- Every year, each subordinate organization must authorize the central organization in writing to include it in the group return
- "Glitches" with returns
  - E.g., IRS records might show a subordinate as still owing a Form 990 even though it is included on a group return

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# Pros and cons of a group ruling: Presentation

## Advantages

- Allows a hospital system to “tell its story” on the Form 990 as an entire system (minus the parent) as opposed to isolated legal entities
- Possible increase in correlation between Form 990 group return and consolidated financial statements

## Disadvantages

- Stakeholders for a particular hospital could complain about the hospital’s data being aggregated in a group return.
  - E.g., a public request for information on one hospital won’t be satisfied with a group return.
- Congress may require per-facility reporting for a number of community benefit-related items. *(see, e.g., H.R 9504)*

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# Pros and cons of a group ruling: Community benefit

## Advantages

- Community benefit activity of subordinates that do not operate hospital facilities may be taken into account in community benefit percentages on the group return
- Subordinates with lower community benefit percentages are aggregated and thus do not “stand out”

## Disadvantages

- Subordinates with significant total expenses and relatively little in community benefit expenses can lower overall community benefit percentage
  - Separate Form 990s could be filed for such subordinates
- Central organization’s community benefit expenses are not taken into account
- Not always clear how to determine cost-to-charge ratios and subsidized health services across subordinates
- Does not eliminate the need for each hospital facility to separately meet (and possible report on) the section 501(r) requirements

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# Pros and cons of a group ruling: Other

## Advantages with compensation reporting



The five highest compensated employees and independent contractors above $100,000 are reported for the whole group of subordinates, not for each subordinate

## Disadvantages with fundraising



Donors and grantors cannot go to the IRS website to look up subordinates and obtain reliance on the IRS's listing of subordinates as eligible recipients of tax-deductible charitable donations

- To use the technical term, no "Pub 78" listing or reliance.
- Rather, donors and grantors technically have to consult with the central organization to verify that an organization is a subordinate under a group ruling
- For this reason, some hospital systems do not include their fundraising foundations in the group exemption letter

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