INTERNAL REVENUE
BULLETIN

IRS

HIGHLIGHTS OF THIS ISSUE

Bulletin No. 2026–4
January 20, 2026

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

EXCISE TAX

Announcement 2026-1, page 402.

Announcement 2026-1 provides important information for interested taxpayers and potential claimants regarding claims under § 6435 of the Internal Revenue Code for tax paid on dyed fuel.

EXEMPT ORGANIZATIONS

Notice 2026-8, page 368.

This notice discusses the comments received in response to the proposed revenue procedure regarding the group exemption letter program set forth in Notice 2020-36, 2020-21 I.R.B. 840, along with the modifications made in response to those comments and other significant revisions made to the proposed revenue procedure.

Rev. Proc. 2026-8, page 380.

This revenue procedure modifies and supersedes Rev. Proc. 80-27, 1980-1 C.B. 677 (as modified by Rev. Proc. 96-40, 1996-2 C.B. 301) by setting forth updated procedures to obtain recognition of exemption from federal income tax on a group basis for organizations described in § 501(c) of the Internal Revenue Code that are affiliated with and under the general supervision or control of a central organization. The revenue procedure relieves each subordinate organization included in a group exemption letter from filing its own application for recognition of exemption. It also sets forth updated procedures a central organization must follow to maintain a group exemption letter.

INCOME TAX

Notice 2026-1, page 365.

This notice provides interim guidance, pending the issuance of forthcoming proposed regulations, relating to the credit for carbon oxide sequestration under section 45Q (§ 45Q credit) of the Internal Revenue Code to reflect the Environmental Protection Agency's (EPA) proposed regulations to amend the Greenhouse Gas Reporting Program to remove reporting obligations imposed under subpart RR of 40 CFR part 98 (subpart RR). See 90 FR 44591 (Sept. 16, 2025). Specifically, this notice provides a safe harbor for determining eligibility for the § 45Q credit for qualified carbon oxide that is captured and disposed of in secure geological storage (and carbon oxide described in § 1.45Q-2(h)(5)) and not used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project during calendar year 2025 in the event the EPA does not launch the electronic Greenhouse Gas Reporting Tool for filers to prepare and submit information required under subpart RR for reporting year 2025 by June 10, 2026.

Notice 2026-10, page 378.

This notice provides the optional 2026 standard mileage rates for taxpayers to use in computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes. This notice also provides the amount taxpayers must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that may be used in computing the allowance under a fixed and variable rate plan. Additionally, this notice provides the maximum fair market value of employer-provided automobiles first made available to employees for personal use in calendar year 2026 for which employers may use the fleet-average valuation rule in § 1.61-21(d)(5)(v) or the vehicle cents-per-mile valuation rule in § 1.61-21(e).

Rev. Proc. 2026-9, page 393.

This revenue procedure publishes the amounts of unused housing credit carryovers allocated to qualified states under § 42(h)(3)(D) of the Internal Revenue Code for calendar year 2025.

Finding Lists begin on page ii.

Rev. Proc. 2026-10, page 394.
This is a revenue procedure that provides additional guidance on the process for requesting PLRs from the IRS, as generally set forth in Rev. Proc. 2025-1, for consent to make retroactive qualified electing fund (QEF) elections under section 1295(b) of the Internal Revenue Code and Treas. Reg. § 1.1295-3(f).

T.D. 10041, page 360.
This document contains final regulations regarding the base erosion and anti-abuse tax imposed on certain large corporate taxpayers with respect to certain payments made to foreign related parties. The final regulations relate to how qualified derivative payments with respect to securities lending transactions are determined and reported. The final regulations affect corporations with substantial gross receipts that make payments to foreign related parties.

The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.
This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.
This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.
To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.
This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

Part I

26 CFR 1.59A-3 and 26 CFR 1.59A-6

TD 10041

DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Part 1

Base Erosion and Anti-Abuse Tax Rules for Qualified Derivative Payments on Securities Lending Transactions

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final rule.

SUMMARY: This document contains final regulations regarding the base erosion and anti-abuse tax imposed on certain large corporate taxpayers with respect to certain payments made to foreign related parties. The final regulations relate to how qualified derivative payments with respect to securities lending transactions are determined and reported. The final regulations affect corporations with substantial gross receipts that make payments to foreign related parties.

DATES: *Effective date*: The final regulations are effective December 17, 2025. *Applicability dates:* For dates of applicability, *see* §§ 1.59A-10 and 1.6038A-2(g).

FOR FURTHER INFORMATION CONTACT: Sheila Ramaswamy at (202) 317-6938 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Authority

This document contains additions and amendments to 26 CFR part 1 (Income Tax Regulations) under sections 59A and 6038A of the Internal Revenue Code (Code) ("the final regulations"). The additions and amendments are issued pursuant to the express delegations of authority to the Secretary of the Treasury (or his delegate) provided under sections 59A(i) and 6038A(b)(2). The final regulations are also issued under the express delegation of authority under section 7805(a) of the Code.

Background

This document contains final regulations under sections 59A and 6038A. The base erosion and anti-abuse tax ("BEAT") of section 59A imposes on each applicable taxpayer a tax equal to the base erosion minimum tax amount for the taxable year, which is the excess of a specified percentage of the modified taxable income of the applicable taxpayer minus the applicable taxpayer's regular tax liability under section 26(b) of the Code reduced (but not below zero) by certain credits. *See* section 59A(b)(1) and (2).

The applicable taxpayer determines its modified taxable income by computing its taxable income without regard to any base erosion tax benefit with respect to any base erosion payment or the base erosion percentage of any net operating loss deduction allowed under section 172 of the Code for the taxable year. *See* section 59A(c)(1). Generally, a base erosion payment is any deductible amount paid or accrued by an applicable taxpayer to a foreign person (as defined in section 6038A(c)(3)) that is a related party of the applicable taxpayer and the base erosion tax benefit is the deduction allowed under Chapter 1 of the Code for the taxable year for the base erosion payment. *See* section 59A(d)(1), (c)(2) and (f). Qualified derivative payments ("QDPs"), as defined in section 59A(h)(2)(A), are not treated as base erosion payments if they are properly reported to the IRS. *See* section 59A(h)(1) and (h)(2)(B).

On January 10, 2025, the Treasury Department and the IRS published proposed regulations under sections 59A and 6038A (REG-107895-24) in the **Federal Register** (90 FR 3085). The proposed regulations would address how taxpayers determine and report qualified derivative payment amounts with respect to securities lending transactions. Two comments were submitted in response to the proposed regulations, but only one of those comments addressed the proposed regulations. The Summary of Comments and Explanation of Revisions section of this preamble discusses this comment. All written comments received in response to the proposed regulations are available at *https://www.regulations.gov* or upon request. A public hearing on the proposed regulations was not held because there were no requests to speak.

Summary of Comments and Explanation of Revisions

Proposed § 1.59A-6(b)(3)(iii)(A) would provide that mark-to-market gains and losses from the securities leg of an intercompany securities lending transaction are not treated as QDPs. As proposed, taxpayers would not be required to include those amounts in their QDP reporting. A conforming amendment in proposed § 1.59A-3(b)(2)(iv) would provide that mark-to-market gains and losses from the securities leg of a securities lending transaction are not taken into account when determining the amount of a taxpayer's base erosion payment.

Proposed § 1.59A-6(b)(3)(iv) would provide rules for determining whether a taxpayer made a substitute payment or other payment pursuant to a securities lending transaction to a foreign related party. Specifically, the rule would provide that a taxpayer may determine the amount of a substitute payment or other payment that it has paid to a foreign related party by using the amount actually paid by the taxpayer to the foreign related party if the taxpayer can specifically identify each recipient of the substitute payment or other payment. If the taxpayer cannot determine the recipient of those payments, the rule would provide a method that treats the substitute payments or other payments that a taxpayer pays with respect to borrowed securities as having been paid first to foreign related parties (but not in excess of the total amount of the payments received by the foreign related parties from all payors).

The comment recommended that the final regulations provide definitions for

terms used in the regulations such as "qualified derivative payment," "substitute payment," "other amounts that relate to the securities lending transaction," "mark-to-market gains and losses," "securities leg of a securities lending transaction," and "cash collateral" to reduce ambiguity. The comment asserted that the ambiguity could potentially lead to substitute payments being misclassified as QDPs rather than base erosion payments. The comment also requested additional examples illustrating the classification of substitute payments.

In response to this comment, the final regulations include cross-references to §§ 1.861-2(a)(7) and 1.861-3(a)(6) to clarify the meaning of the term "substitute payment."

Although proposed § 1.59A-3(b)(2)(iv)(B) indicates by exclusion that "other amounts that relate to the securities lending transaction" refers to payments relating to the transaction other than mark-to-market gains or losses and the delivery of securities to or receipt of securities from the lender, greater clarity that substitute payments and borrow fees are included in this term may be helpful. Therefore, for consistency purposes, §§ 1.59A-3(b)(2)(iv)(B) and 1.59A-6(b)(3)(iii) of the final regulations have been modified to use the term "items of income, gain, loss, or deduction during the taxable year" and explain that this term refers to amounts such as substitute payments and borrow fees that relate to the securities lending transaction and does not include the delivery or receipt of securities. The final regulations also clarify that the term "mark-to-market gains and losses" with respect to a securities lending transaction refers to the recognition of gain or loss on the transaction as if the taxpayer's position in the securities lending position were sold for its fair market value on the last business day of the taxable year, as described in § 1.59A-6(b)(1)(i).

Proposed § 1.59A-6(b)(3)(iii) would provide cross-references to §§ 1.861-2(a)(7) and 1.861-3(a)(6) for the definition of a "securities lending transaction." Sections 1.861-2(a)(7) and 1.861-3(a)(6) define the term "securities lending transaction" as "a transfer of one or more securities that is described in section 1058(a) or a substantially similar transaction." These cross-references were intended to indicate that "securities leg of a securities lending transaction" refers to the components of the transaction that relate to the transfer of a security. The final regulations have been modified to clarify that the securities leg of a securities lending transaction refers to the rights, obligations, and transfers of securities and payments under the transaction other than the obligation to provide or right to receive cash collateral and interest (sometimes referred to as rebate) thereon.

Some of the terms cited by the comment are already defined in other parts of the regulations or are commonly understood industry terms. For example, the term "qualified derivative payment" is defined in section 59A(h)(2)(A) and § 1.59A-6(b); therefore, no additional definition is required. Additionally, "cash collateral" is a commonly understood industry term that does not require a definition and is already used in the existing regulations at § 1.59A-6(d)(2)(iii)(B).

The final regulations do not adopt the comment to include examples illustrating the classification of substitute payments. The Treasury Department and IRS are of the view that additional examples would not add clarity because the final regulations now cross-reference regulations illustrating the meaning of a substitute payment, and the examples in proposed § 1.59A-6(b)(3)(iii)(B) clearly indicate the types of payments that are referenced by the term "substitute payment."

The final regulations also make clarifying edits to the specific identification method in proposed § 1.59A-6(b)(3)(iv)(B). As noted previously, the proposed regulations would have provided that a taxpayer may determine the amount of substitute payments or other payments with respect to the securities leg of a securities lending transaction that it has paid to a foreign related party by using the amount actually paid by the taxpayer to the foreign related party if the taxpayer can specifically identify each recipient of the substitute payment or other payment. This proposed rule was intended to be available to a taxpayer only if the taxpayer is able to identify all of the recipients of the substitute payments and other payments that taxpayer made with respect to the securities leg of a securities lending transaction during the taxable year. The final regulations clarify this rule and expand the situations when a taxpayer may use the specific identification method. Specifically, a taxpayer may use the specific identification method of § 1.59A-6(b)(3)(iv)(B) to determine the amount of the substitute payments or other payments with respect to the securities leg of a securities lending transaction that it has paid to foreign related parties only if the taxpayer can specifically identify all recipients of the substitute payments or other payments paid by the taxpayer or the taxpayer can specifically identify the payor for all substitute payments or other payments with respect to the securities leg of a securities lending transaction received by foreign related parties. If a taxpayer has paid any substitute payment or other payment for which it cannot determine the recipient and cannot specifically identify the payor for all substitute payments received by foreign related parties, the final regulations provide that the taxpayer must use the alternative method provided in § 1.59A-6(b)(3)(iv)(C).

The comment also recommended that the final regulations provide additional clarifying examples illustrating mark-to-market adjustments and the operation of the allocation method of proposed § 1.59A-6(b)(3)(iv). The Treasury Department and the IRS consider the examples that were provided in proposed § 1.59A-6(b)(3)(iii)(B) to be sufficiently illustrative of the mechanics of mark-to-market adjustments; therefore, the clarity of these rules will not be improved by adding additional examples in the final regulations. The Treasury Department and the IRS agree, however, that an example illustrating the allocation method would be helpful. Therefore, the final regulations include an example of the allocation method in § 1.59A-6(b)(3)(iv)(D).

Finally, the comment requested additional transition relief with respect to the reporting requirements of § 1.6038A-2(b)(7)(ix) such as a two-year phased implementation. The comment suggested that in the first phase, the IRS could adopt reduced reporting requirements or grant safe harbor treatment for systems unable to capture detailed data immediately to allow time for internal systems upgrades and process testing before requiring full compliance. As an alternative, the com-

ment suggested permitting taxpayers to submit evidence of system limitations as the basis for temporary relief, while establishing clear compliance milestones. The final regulations do not adopt this comment. Instead, the final regulations retain the transition relief provided in the proposed regulations, which delays the applicability date of § 1.6038A-2(b)(7)(ix). The rules relating to QDP reporting apply to payments made in taxable years beginning on or after January 1, 2027. It is expected that this delayed applicability date will give taxpayers sufficient time to build and update the systems needed to track QDPs.

Applicability Date

The preamble to the proposed regulation explained that proposed §§ 1.59A-3(b)(2)(iv) (application of BEAT netting rule to securities lending transactions) and 1.59A-6(b)(3)(ii) through (iv) (QDP rules relating to securities lending transactions) would apply to taxable years beginning on or after the date that final regulations are filed with the **Federal Register**. The text of proposed § 1.59A-10(c), however, mistakenly provided that proposed §§ 1.59A–3(b)(2)(iv) and 1.59A–6(b)(3)(iii) and (iv) would apply to taxable years beginning on or after January 10, 2025, which was the date that the proposed regulations were filed with the **Federal Register**. Consistent with the preamble to the proposed regulations, the final regulations provide that §§ 1.59A-3(b)(2)(iv) and 1.59A-6(b)(3)(iii) and (iv) apply to taxable years beginning on or after December 17, 2025. However, taxpayers may choose to apply these final rules to a taxable year beginning on or after January 10, 2025, and before December 17, 2025. Section 1.6038A-2(b)(7)(ix) (rules relating to QDP reporting) applies to payments made in taxable years beginning on or after January 1, 2027.

Special Analysis

I. *Regulatory Planning and Review – Economic Analysis*

These final regulations are not subject to review under section 6(b) of Executive Order 12866 pursuant to the Memorandum of Agreement (July 4, 2025) between the Treasury Department and the Office of Management and Budget regarding review of tax regulations.

II. *Paperwork Reduction Act*

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) (PRA) generally requires that a Federal agency obtain the approval of the Office of Management and Budget (OMB) before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget. These final regulations do not create or impose any additional information collection requirements in the form of reporting, recordkeeping requirements, or third-party disclosure statements. The collection requirements are within Form 8991 and its instructions which are included in the OMB Control Number 1545-0123.

III. *Regulatory Flexibility Act*

Generally, the final regulations affect only aggregate groups of corporations with average annual gross receipts of at least $500 million and that make payments to foreign related parties. Generally, only large businesses have both substantial gross receipts and make payments to foreign related parties. In accordance with the Regulatory Flexibility Act (5 U.S.C. 601 *et seq*.) the Secretary hereby certifies that these final regulations will not have a significant economic impact on a substantial number of small entities. Accordingly, a regulatory flexibility analysis under the Regulatory Flexibility Act is not required.

IV. *Section 7805(f)*

Pursuant to section 7805(f) of the Code, the notice of proposed rulemaking was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business, and no comments were received.

V. *Unfunded Mandates Reform Act*

Section 202 of the Unfunded Mandates Reform Act of 1995 requires that agencies assess anticipated costs and benefits and take certain other actions before issuing a final rule that includes any Federal mandate that may result in expenditures in any one year by a State, local, or Tribal government, in the aggregate, or by the private sector, of $100 million in 1995 dollars, updated annually for inflation. The final regulations do not include any Federal mandate that may result in expenditures by State, local, or Tribal governments, or by the private sector in excess of that threshold.

VI. *Executive Order 13132: Federalism*

Executive Order 13132 (entitled "Federalism") prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State and local governments, and is not required by statute, or preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive order. The final regulations do not have federalism implications and do not impose substantial direct compliance costs on State and local governments or preempt State law within the meaning of the Executive order.

Drafting Information

The principal authors of these final regulations are D. Peter Merkel and Sheila Ramaswamy of the Office of Associate Chief Counsel (International). However, other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Adoption of Amendments to the Regulations

Accordingly, the Treasury Department and IRS amend 26 CFR part 1 as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

§ 1.59A-2 [Amended]

Par. 2. Section 1.59A-2 is amended by removing the language "§ 1.59A-3(b)(2)(iii)" from the last sentence of paragraph (e)(3)(vi) and adding the language "§ 1.59A-3(b)(2)(iv)" in its place.

Par. 3. Section 1.59A-3 is amended by revising paragraph (b)(2)(iv) to read as follows:

§1.59A-3 Base erosion payments and base erosion tax benefits.

* * * * *

(b) * * *

(2) * * *

(iv) *Amounts paid or accrued with respect to mark-to-market positions*—(A) *In general*. For any transaction with respect to which the taxpayer applies the mark-to-market method of accounting for U.S. Federal income tax purposes, the rules set forth in § 1.59A-2(e)(3)(vi) apply to determine the amount of the base erosion payment.

(B) *Application of the base erosion and anti-abuse tax ("BEAT") netting rule to securities lending transactions*. Notwithstanding paragraph (b)(2)(iv)(A) of this section, mark-to-market gains and losses from the securities leg of a securities lending transaction as defined in §§ 1.861-2(a)(7) and 1.861-3(a)(6) are not taken into account when applying § 1.59A-2(e)(3)(vi) for purposes of determining the amount of a taxpayer's base erosion payment. Mark-to market gains and losses from the securities leg of a securities lending transaction are the ordinary gains and losses that a taxpayer recognizes with respect to the transaction by treating the taxpayer's position in the transaction as having been sold for its fair market value on the last business day of the taxable year (and any additional times as required by the Internal Revenue Code or the taxpayer's method of accounting). *See* § 1.59A-6(b)(1)(i). When determining the amount of the taxpayer's base erosion payment, items of income, gain, loss, or deduction that relate to the securities leg of a securities lending transaction, such as substitute payments defined in §§ 1.861-2(a)(7) and 1.861-3(a)(6) and borrow fees, must be taken into account on a consistent basis that does not result in the duplication or omission of these amounts. For purposes of the immediately preceding sentence, the term *items of income, gain, loss, or deduction that relate to the securities leg of a securities lending transaction* does not include delivery of the securities to, or receipt of securities from, the lender. This paragraph (b)(2)(iv)(B) applies to a taxpayer that is either the borrower or lender with respect to the securities lending transaction.

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Par. 4. Section 1.59A-6 is amended by adding paragraphs (b)(3)(iii) and (iv) to read as follows:

§1.59A-6 Qualified derivative payment.

* * * * *

(b) * * *

(3) * * *

(iii) *Special rule for mark-to-market gains and losses on the securities leg of a securities lending transaction*—(A) *In general*. The amount of any qualified derivative payment with respect to the securities leg of a securities lending transaction as defined in §§ 1.861-2(a)(7) and 1.861-3(a)(6) that is excluded from the denominator of the base erosion percentage is determined under § 1.59A-3(b)(2)(iv)(B). The securities leg of a securities lending transaction refers to the rights, obligations, and transfers of securities and payments under the transaction other than the obligation to provide or right to receive cash collateral and interest thereon. Pursuant to § 1.59A-3(b)(2)(iv)(B), mark-to-market gains and losses on a securities leg of a securities lending transaction are not included in determining the amount of the qualified derivative payment with respect to that security. Thus, the amount of the qualified derivative payment with respect to the securities leg of a securities lending transaction is determined by taking into account only other items of income, gain, loss, or deduction during the taxable year that relate to the securities leg, such as substitute payments defined in §§ 1.861-2(a)(7) and 1.861-3(a)(6) and borrow fees. This paragraph (b)(3)(iii)(A) applies to a taxpayer that is either the borrower or lender with respect to the securities lending transaction.

(B) *Examples*. The following examples illustrate the application of this paragraph (b)(3)(iii).

(*1*) *Example 1: Securities loan*—(*i*) *Facts*. FP is a foreign corporation that owns all of the shares of DC, a domestic corporation. FP is a foreign related party of DC under § 1.59A-1(b)(12). DC is a registered securities dealer. On September 1 of year 1, DC enters into a securities lending transaction with FP in which it borrows stock from FP. DC provides cash collateral for the loan and receives a rebate on that collateral from FP. On September 1, year 1, the stock has a value of $100x. On November 1, year 1, a dividend of $1x is paid by the issuer on the stock. DC pays a substitute dividend of $1x to FP on November 1, year 1 under the terms of the securities loan. There are no other payments made or received in year 1. On December 31, year 1, the stock has a value of $106x. DC is required to mark-to-market the securities leg of the securities lending transaction for U.S. Federal income tax purposes. DC is a calendar year taxpayer.

(*ii*) *Analysis*. DC has a deduction of $1x as a result of the substitute dividend it pays to FP. Assuming that the securities lending transaction otherwise meets the requirements of this section (including reporting the information required by § 1.6038A-2(b)(7)(ix)), the amount of DC's qualified derivative payment with respect to the securities lending transaction is $1x. Payments with respect to the cash collateral are not treated as part of the securities lending transaction. *See* paragraph (d)(2)(iii)(B) of this section. With respect to the securities leg of the securities lending transaction, DC has a mark-to-market loss of ($6x). Under paragraph (b)(3)(iii)(A) of this section, the amount of this mark-to-market loss is not included when determining the amount of the qualified derivative payment. Under § 1.59A-3(b)(2)(iv)(B), DC's ($6x) mark-to-market loss on the securities leg of the securities lending transaction also is not taken into account in determining the base erosion tax benefit amount for purposes of the numerator of the base erosion percentage. The ($6x) loss is taken into account in the denominator of the base erosion percentage, while the $1x substitute dividend payment is not taken into account for that purpose because it is a qualified derivative payment. *See* § 1.59A-2(e)(3)(ii)(C) and (e)(3)(vi). The amount of the qualified derivative payment would be the same if the lender paid a rebate on the cash collateral in year 1, without regard to whether the parties agree to pay and receive a net payment reflecting the difference between the amount of the rebate and the amount of the substitute payment.

(*2*) *Example 2: Securities loan*. The facts are the same as in paragraph (b)(3)(iii)(B)(*1*) of this section (*Example 1*) except that on December 31, year 1, the stock has a value of $94x. With respect to the securities leg of the securities lending transaction, DC has a mark-to-market gain of $6x. Under paragraph (b)(3)(iii)(A) of this section, the amount of this mark-to-market gain is not included when determining the amount of the qualified derivative payment. DC

has a deduction of $1x as a result of the substitute dividend payment it makes to FP. Assuming that the securities lending transaction otherwise meets the requirements of this section (including reporting the information required by § 1.6038A-2(b)(7)(ix)), the amount of DC's qualified derivative payment with respect to the securities lending transaction is $1x. Neither the $6x gain nor the $1x substitute dividend payment, which is a qualified derivative payment, are taken into account in the denominator of the base erosion percentage.

(iv) *Rule for determining the amount of a substitute payment or other payment paid with respect to a securities lending transaction to a foreign related party*—(A) *In general*. When a taxpayer makes a substitute payment as defined in § 1.861-2(a)(7) or § 1.861-3(a)(6) or other payment with respect to the securities leg of a securities lending transaction, the taxpayer must determine whether the substitute payment or other payment is paid to a foreign related party. The amount of the substitute payment or other payment paid by the taxpayer to a foreign related party is determined under either paragraph (b)(3)(iv)(B) or (C) of this section.

(B) *Specific identification method*. The taxpayer may determine the amount of the substitute payments or other payments with respect to the securities leg of a securities lending transaction that it has paid to foreign related parties by using the amount actually paid by the taxpayer to the foreign related parties if the taxpayer can specifically identify all recipients of the substitute payments or other payments paid by the taxpayer during the taxable year with respect to the securities leg of a securities lending transaction or the taxpayer can specifically identify the payor for all substitute payments or other payments received by foreign related parties during the taxable year with respect to the securities leg of a securities lending transaction.

(C) *Alternative method*. If the taxpayer has paid any substitute payment or other payment with respect to the securities leg of a securities lending transaction to which the taxpayer cannot apply paragraph (b)(3)(iv)(B) of this section, the taxpayer must use the methodology provided in this paragraph (b)(3)(iv)(C).

(*1*) *Step 1: Determining the total amount of substitute payments and other payments received by foreign related parties*. The taxpayer must determine the total amount of substitute payments and other payments with respect to the securities leg of a securities lending transaction received by all foreign related parties of the taxpayer during the taxable year.

(*2*) *Step 2: Determining the total amount of substitute payments and other payments paid by taxpayer.* The taxpayer must determine the total amount of substitute payments and other payments with respect to the securities leg of a securities lending transaction paid by the taxpayer during the taxable year.

(*3*) *Step 3: Determining the amount of substitute payments and other payments paid by the taxpayer to foreign related parties*. The amount of substitute payments and other payments with respect to the securities leg of a securities lending transaction paid by the taxpayer is treated as being paid first to foreign related parties of the taxpayer up to the total amount of substitute payments and other payments with respect to the securities leg of a securities lending transaction received by foreign related parties. Any amount of substitute payments and other payments with respect to the securities leg of a securities lending transaction paid by the taxpayer that exceeds the amount of substitute payments and other payments received by foreign related parties is treated as paid to unrelated parties for purposes of this paragraph (b)(3)(iv)(C)(*3*).

(D) *Example*—(*1*) *Facts*. FP is a foreign corporation that owns all of the shares of DC, a domestic corporation, and all of the shares of several foreign subsidiaries. FP and its foreign subsidiaries are foreign related parties of DC under § 1.59A-1(b)(12). DC is a registered securities dealer. DC enters into securities lending transactions pursuant to which it borrows securities both from foreign affiliates that are members of the FP controlled group and from unrelated customers. DC obtains the securities from a common pool of available securities that includes securities from DC's U.S. customer accounts as well as securities held by members of the FP controlled group for their own account and for the account of customers. DC is unable to determine from its records either the identities of the counterparties from which DC has borrowed securities or whether it has entered into a securities lending transaction with a foreign affiliate. In year 1, DC makes substitute payments of $500x in aggregate with respect to the securities lending transactions. DC's foreign affiliates receive substitute payments in year 1 totaling $100x. Because DC cannot determine whether it has entered into a securities lending transaction with a foreign affiliate, DC does not know what portion of the $100x received by DC's foreign affiliates was paid by DC.

(*2*) *Analysis*. Because DC is unable to determine the actual amount of substitute payments it has paid to DC's foreign affiliates, DC cannot use the specific identification method of paragraph (b)(3)(iv)(B) of this section to determine the amount of substitute payments it has paid to foreign related parties for QDP reporting purposes. Instead, DC must use the alternative method set forth in paragraph (b)(3)(iv)(C) of this section to determine the amount of substitute payments treated as made to foreign related party recipients. Under Step 1, DC determines that its foreign affiliates have received substitute payments of $100x. Under Step 2, DC determines that it has paid substitute payments totaling $500x. Under Step 3, DC is treated as having paid substitute payments to its foreign affiliates of $100x, up to the total amount of substitute payments they received in year 1. The remaining $400x of substitute payments paid by DC is treated as having been paid to unrelated parties for purposes of paragraph (b)(3)(iv)(C)(*3*) of this section.

* * * * *

Par. 5. Section 1.59A-10 is amended by revising paragraph (a) and adding paragraph (c) to read as follows:

§1.59A-10 Applicability date.

(a) *General applicability date*. Sections 1.59A-1 through 1.59A-9, other than the provisions described in the first sentence of paragraph (b) of this section or in paragraph (c) of this section, apply to taxable years ending on or after December 17, 2018. However, taxpayers may apply the regulations in this paragraph (a) in their entirety for taxable years beginning after December 31, 2017, and ending before December 17, 2018. In lieu of applying the regulations referred to in the first sentence of this paragraph (a), taxpayers may apply the provisions matching §§ 1.59A-1 through 1.59A-9 from the Internal Revenue Bulletin (IRB) 2019-02 (*https://www.irs.gov/irb/2019-02_IRB*) in their entirety for all taxable years beginning after December 31, 2017, and ending on or before December 6, 2019.

* * * * *

(c) *Additional applicability dates for certain rules relating to securities lending transactions*. Sections 1.59A-3(b)(2)(iv) and 1.59A-6(b)(3)(iii) and (iv) apply to taxable years beginning on or after December 17, 2025.

Par. 6. Section 1.6038A-2 is amended by revising the third sentence of paragraph (g) to read as follows:

§1.6038A-2 Requirement of return.

* * * * *

(g) * * * Paragraph (b)(7)(ix) of this section applies to payments made in taxable years beginning on or after January 1, 2027. * * *

Frank J. Bisignano,
Chief Executive Officer.

Approved: October 30, 2025

Kenneth J. Kies,
Assistant Secretary of the Treasury (Tax Policy).

(Filed by the Office of the Federal Register December 17, 2025, 8:45 a.m., and published in the issue of the Federal Register for December 18, 2025, 90 FR 59046)

Part III

Safe Harbor for the Credit for Carbon Oxide Sequestration under Section 45Q for Qualified Carbon Oxide Disposed of in Secure Geological Storage in Calendar Year 2025

Notice 2026-1

SECTION 1. PURPOSE

This notice provides interim guidance, pending the issuance of forthcoming proposed regulations, relating to the credit for carbon oxide sequestration under section 45Q (§ 45Q credit) of the Internal Revenue Code (Code)[1] in light of the Environmental Protection Agency's (EPA) proposed regulations to remove reporting obligations regarding the geological sequestration of carbon dioxide imposed under subpart RR of 40 CFR part 98 (subpart RR). *See* 90 F.R. 44591 (Sept. 16, 2025). Specifically, this notice provides a safe harbor for determining eligibility for the § 45Q credit for qualified carbon oxide that is captured and disposed of in secure geological storage (and carbon oxide described in § 1.45Q-2(h)(5)) and not used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project during calendar year 2025 (Calendar Year 2025 Secure Geological Storage) in the event the EPA does not launch the electronic Greenhouse Gas Reporting Tool (e-GGRT) for filers to prepare and submit information required under subpart RR for reporting year 2025 by June 10, 2026. The Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) expect that the forthcoming proposed regulations will propose updated requirements for taxpayers claiming the credit for secure geological storage after the 2025 calendar year. Taxpayers may rely on the safe harbor and guidance described in section 3 of this notice to demonstrate compliance with the subpart RR requirements of § 1.45Q-3(b)(1)(ii) or 1.45Q-2(h)(5)(iii), as applicable, and § 1.45Q-3(d), for purposes of determining the § 45Q credit with respect to 2025 Calendar Year Secure Geological Storage.

SECTION 2. BACKGROUND

.01 *Section 45Q*

(1) Section 45Q was added to the Code by § 115 of Division B of the Energy Improvement and Extension Act of 2008, Pub. L. 110-343, 122 Stat. 3765, 3829 (Oct. 3, 2008). Section 45Q was amended a number of times thereafter, including most recently by § 70522 of Public Law 119-21, 139 Stat. 72, 279 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA).[2]

(2) Section 45Q(a)(1) allows a credit of $20 per metric ton of qualified carbon oxide (i) captured by the taxpayer using carbon capture equipment which is originally placed in service at a qualified facility before February 9, 2018; (ii) disposed of by the taxpayer in secure geological storage; and (iii) neither used by the taxpayer as a tertiary injectant in a qualified enhanced oil or natural gas recovery project nor utilized in a manner described in section 45Q(f)(5).

(3) Section 45Q(a)(2) allows a credit of $10 per metric ton of qualified carbon oxide (i) captured by the taxpayer using carbon capture equipment which is originally placed in service at a qualified facility before February 9, 2018; and (ii) either (A) used by the taxpayer as a tertiary injectant in a qualified enhanced oil or natural gas recovery project and disposed of by the taxpayer in secure geological storage; or (B) utilized by the taxpayer in a manner described in section 45Q(f)(5).

(4) Section 45Q(a)(3) allows a credit of the applicable dollar amount (as determined under section 45Q(b)(1)) per metric ton of qualified carbon oxide captured by the taxpayer using carbon capture equipment which is originally placed in service at a qualified facility on or after February 9, 2018, during the 12-year period beginning on the date the equipment was originally placed in service, and (i) disposed of by the taxpayer in secure geological storage, (ii) used by the taxpayer as a tertiary injectant in a qualified enhanced oil or natural gas recovery project and disposed of by the taxpayer in secure geological storage, or (iii) utilized by the taxpayer in a manner described in section 45Q(f)(5).

(5) Section 45Q(f)(2) directs the Secretary of the Treasury or the Secretary's delegate (Secretary), in consultation with the EPA, the Secretary of Energy, and the Secretary of the Interior, to establish regulations for determining adequate security measures for the geological storage of qualified carbon oxide under section 45Q(a) such that the qualified carbon oxide does not escape into the atmosphere. Section 45Q(f)(2) further provides that the term "geological storage of qualified carbon oxide" includes storage at deep saline formations, oil and gas reservoirs, and unminable coal seams under such conditions as the Secretary may determine under such regulations.

(6) On June 2, 2020, the Treasury Department and the IRS published a notice of proposed rulemaking (REG-112339-19) in the *Federal Register* (85 F.R. 34050) under section 45Q. After consideration of all comments received in response to the proposed regulations, on January 15, 2021, the Treasury Department and the IRS, in consultation with the EPA, Department of Energy, and the Department of the Interior, published final regulations in the *Federal Register* under section 45Q. *See* T.D. 9944; 86 F.R. 4728, as corrected in 86 F.R. 16530 (March 30, 2021).

[1] Unless otherwise specified, all "section" or "§" references are to the Code or the Income Tax Regulations (26 CFR part 1).

[2] Section 70522 of the OBBBA modified section 45Q to disallow the credit if the taxpayer is a specified foreign entity as defined in section 7701(a)(51)(B) of the Code or a foreign influenced entity as defined in section 7701(a)(51)(D), determined without regard to clause (i)(II) thereof, for taxable years beginning after July 4, 2025. Section 70522 of the OBBBA also modified section 45Q to establish parity between the credit amount for the different uses and utilization of qualified carbon oxide and the credit amount for disposal in secure geological storage for facilities or equipment placed in service after July 4, 2025.

(7) Section 1.45Q-3(a) provides that, in general, to qualify for the § 45Q credit, a taxpayer must either physically or contractually dispose of captured qualified carbon oxide in secure geological storage in the manner provided in § 1.45Q-3(b), or utilize qualified carbon oxide in a manner conforming with section 45Q(f)(5) and § 1.45Q-4. Secure geological storage includes, but is not limited to, storage at deep saline formations, oil and gas reservoirs, and unminable coal seams.

(8) Section 1.45Q-3(b) provides that for purposes of the § 45Q credit, qualified carbon oxide is considered disposed of by the taxpayer in secure geological storage such that the qualified carbon oxide does not escape into the atmosphere if the qualified carbon oxide is (1) injected into a well that (i) complies with applicable Underground Injection Control or other regulations, located onshore or offshore under submerged lands within the territorial jurisdiction of States or federal waters, and (ii) is not used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project, in compliance with applicable requirements under subpart RR; or (2) injected into a well that (i) complies with applicable Underground Injection Control or other regulations, is located onshore or offshore under submerged lands within the territorial jurisdiction of States or Federal waters, and (ii) is used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project and stored in compliance with applicable requirements under subpart RR, or the International Organization for Standardization (ISO) standards endorsed by the American National Standards Institute (ANSI) under CSA/ANSI ISO 27916:2019, Carbon dioxide capture, transportation and geological storage—Carbon dioxide storage using enhanced oil recovery (CO_2-EOR) (CSA/ANSI ISO 27916:2019).

(9) Section 1.45Q-2(h)(5) provides that, in general, carbon oxide that is injected into an oil reservoir that is not a qualified enhanced oil recovery project under section 43(c)(2) of the Code due to circumstances such as the first injection of a tertiary injectant occurring before 1991, or because a petroleum engineer's certification was not timely filed, cannot be treated as qualified carbon oxide, disposed of in secure geological storage, or utilized in a manner described in section 45Q(f)(5). Section 1.45Q-2(h)(5) does not apply to an oil reservoir if: (i) the reservoir has permanently ceased oil production; (ii) the operator has obtained an Underground Injection Control Class VI permit; and (iii) the operator complies with subpart RR.

(10) Section 1.45Q-3(d) provides that for qualified enhanced oil or natural gas recovery projects in which the taxpayer reported volumes of carbon oxide to the EPA pursuant to subpart RR, the taxpayer may self-certify the volume of qualified carbon oxide claimed for purposes of section 45Q. For qualified enhanced oil or natural gas recovery projects in which the taxpayer determined volumes pursuant to CSA/ANSI ISO 27916:2019, a taxpayer may prepare documentation as outlined in CSA/ANSI ISO 27916:2019 internally, but all such documentation must be provided to a qualified independent engineer or geologist, who then must certify that the documentation provided, including the mass balance calculations as well as information regarding monitoring and containment assurance, is accurate and complete. The qualified independent engineer or geologist certifying a project must be duly registered or certified in any State. The certification must contain an affidavit from the certifying engineer or geologist stating that he or she is independent from the taxpayer (and if an election under section 45Q(f)(3)(B) has been made, the affidavit must state that he or she is independent from both the electing taxpayer and the credit claimant). Certifications must be made annually and under penalties of perjury. For any leaked amount of qualified carbon oxide (as defined in § 1.45Q-5(c)) that is determined pursuant to CSA/ANSI ISO 27916:2019, the certification must also include a statement that the quantity was determined in accordance with sound engineering principles. Taxpayers that capture and dispose of qualified carbon oxide giving rise to the § 45Q credit must file Form 8933, *Carbon Oxide Sequestration Credit*, with a timely filed Federal income tax return or Form 1065, *U.S. Return of Partnership Income*, including extensions or amendments to Federal income tax returns, Forms 1065, or on administrative adjustment requests under section 6227 (AARs), as applicable.

.02 *EPA Regulations*

(1) Under the Safe Drinking Water Act and regulations promulgated thereunder, injection of carbon dioxide into any underground reservoir requires the operator to comply with Underground Injection Control (UIC) program regulations and to obtain the appropriate UIC well permits. The UIC program is designed to protect underground sources of drinking water from underground injection. Under 40 CFR § 146.5 (Classification of injection wells), Class VI is an appropriate UIC well permit for wells that are not experimental in nature and that are used for geologic sequestration of carbon dioxide beneath the lowermost formation containing an underground source of drinking water; for wells used for geologic sequestration of carbon dioxide that have been granted a waiver of the injection depth requirements pursuant to requirements at 40 CFR 146.95; or for wells used for geologic sequestration of carbon dioxide that have received an expansion to the areal extent of an existing Class II enhanced oil recovery or enhanced gas recovery aquifer exemption pursuant to 40 CFR §§ 146.4 and 144.7(d).

(2) Operators that inject carbon dioxide underground are also subject to the EPA's Greenhouse Gas Reporting Program (GHGRP) requirements set forth at 40 CFR Part 98. Under 40 CFR Part 98, facilities that inject carbon dioxide underground for long-term containment of carbon dioxide in subsurface geologic formations are specifically subject to subpart RR (Geologic Sequestration of Carbon Dioxide source category). Facilities that are subject to subpart RR, including UIC Class VI wells, are required to report basic information on carbon dioxide received for injection, develop and implement an EPA-approved site-specific Monitoring, Reporting, and Verification Plan, and report the amount of carbon dioxide geologically sequestered using a mass balance approach and annual monitoring activities. Such reports under subpart RR must be prepared on a calendar year basis (Annual Reports).

(3) Annual Reports generally must be submitted no later than March 31 of each calendar year for greenhouse gas

emissions in the previous calendar year. 40 CFR § 98.3(b). Annual Reports are required to be submitted electronically in a format specified by the Administrator of the EPA. 40 CFR § 98.5(a). The EPA generally requires Annual Reports to be submitted through the EPA's electronic reporting system, e-GGRT. Historically, the EPA has launched the e-GGRT system in mid-February for a given reporting year. *See* EPA, "Extending the Reporting Deadline Under the Greenhouse Gas Reporting Rule for 2024 Data," 90 F.R. 13085, 13087 (March 20, 2025). Annual Reports undergo verification by the EPA, and non-confidential data from these reports are published on the EPA's website.

(4) On September 16, 2025, the EPA issued proposed regulations, Reconsideration of the Greenhouse Gas Reporting Program, 90 F.R. 44591, proposing to amend the GHGRP to remove program obligations for most source categories, including the obligations in subpart RR, for reporting years after 2024. The proposed regulations would also revise 40 CFR Part 98 subpart A to extend the Part 98 (including subpart RR) reporting deadline for reporting year 2025 from March 31, 2026, to June 10, 2026. The EPA has proposed that the amendments, if finalized, would become effective within sixty days of publication in the *Federal Register*. Because the proposed amendments would remove the reporting obligations under subpart RR following reporting year 2024, reporters would cease submitting Annual Reports within sixty days of publication of the final rule in the *Federal Register*. 90 F.R. at 44603.

SECTION 3. SAFE HARBOR FOR CALENDAR YEAR 2025 SECURE GEOLOGICAL STORAGE

.01 *In General*. This section describes a safe harbor that taxpayers may use to satisfy the requirements of § 1.45Q-3(b)(1)(ii) or § 1.45Q-2(h)(5)(iii), as applicable, and § 1.45Q-3(d), for Calendar Year 2025 Secure Geological Storage in the event the EPA does not launch the e-GGRT for reporting year 2025 by June 10, 2026 (2025 Safe Harbor). The 2025 Safe Harbor does not apply to such storage in the event the EPA launches the e-GGRT for reporting year 2025 by June 10, 2026.

.02 *2025 Safe Harbor*.

(1) *In general*. Taxpayers following the guidance set forth in sections 3.02(2) and 3.02(3) of this notice will be considered to have satisfied (i) the requirement in §1.45Q-3(b)(1)(ii) or § 1.45Q-2(h)(5)(iii), as applicable, related to subpart RR (§ 45Q Subpart RR Requirement); and (ii) the requirements of § 1.45Q-3(d) (Certification Requirements).

(2) *Compliance with § 45Q Subpart RR Requirement*. In the event the EPA does not launch the e-GGRT for reporting year 2025 by June 10, 2026, for Calendar Year 2025 Secure Geological Storage, such storage will be considered to have satisfied the § 45Q Subpart RR Requirement if (i) such storage is in compliance with the applicable requirements of subpart RR as in effect on December 31, 2025, and (ii) instead of submitting the Annual Report for reporting year 2025 with respect to such storage through the e-GGRT pursuant to 40 CFR §§ 98.3 and 98.5, the taxpayer prepares and submits the Annual Report to an independent engineer or geologist, who certifies the Annual Report, in the manner specified in section 3.02(3)(A) and (B) of this notice. The Annual Report for reporting year 2025 must contain all of the information and documentation, including mass balance accounting calculations and monitoring and containment assurance, that would have been required under subpart RR as in effect on December 31, 2025.

(3) *Compliance with Certification Requirements*. Calendar Year 2025 Secure Geological Storage will be considered to have satisfied the Certification Requirements of § 1.45Q-3(d) if the taxpayer satisfies the requirements of section 3.02(3)(A) and (B) of this notice with respect to such storage.

(A) The taxpayer must submit the Annual Report for reporting year 2025 to a qualified independent engineer or geologist. The qualified independent engineer or geologist certifying the information must be duly registered or certified in any State.

(B) The qualified independent engineer or geologist must certify that (i) the capture and disposal described in § 1.45Q-3(b)(1) or § 1.45Q-2(h)(5), as applicable, is in compliance with subpart RR as in effect on December 31, 2025, and (ii) the information and documentation contained in the Annual Report for reporting year 2025 is accurate and complete based upon the requirements under subpart RR as in effect on December 31, 2025. The certification must contain an affidavit from the certifying engineer or geologist stating that he or she is independent from the taxpayer (and if an election under section 45Q(f)(3)(B) has been made, the affidavit must state that he or she is independent from both the electing taxpayer and the credit claimant). The certification must be made under penalties of perjury.

.03 *Timely reporting*. Taxpayers that capture and dispose of qualified carbon oxide giving rise to the § 45Q credit must file Form 8933 with a timely filed Federal income tax return or Form 1065, including extensions, or amendments to Federal income tax returns, Forms 1065, or on AARs, as applicable. In order to rely upon the 2025 Safe Harbor, a taxpayer must complete all documentation and obtain the certification described in section 3.02(2) and (3) of this notice by the time it (or if an election under § 45Q(f)(3)(B) has been made, any credit claimant) timely files its relevant tax return, as described in the preceding sentence. Taxpayers should retain the documentation and certification described in section 3.02(2) and (3) of this notice in their books and records pursuant to § 6001. *See also* T.D. 9944; 86 F.R. 4728, 4758-59.

SECTION 4. PAPERWORK REDUCTION ACT

The collection of information contained in this notice has been submitted to the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. § 3507). The estimated burden for individual filers is approved under OMB control number 1545-0074; for business filers, it is approved under OMB control number 1545-0123; and for trust filers, it is approved under OMB control number 1545-0092.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

The collections of information in this notice are in section 3 of this notice. This

information is required to certify the volume of qualified carbon oxide disposed of in secure geological storage for the purpose of claiming the § 45Q credit. This information will be used by the IRS to verify that the taxpayer is eligible for the § 45Q credit. The collection of information is required to obtain a benefit. The likely respondents are businesses or other for-profit institutions.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by § 6103.

SECTION 5. APPLICABILITY DATE

This notice applies with respect to Calendar Year 2025 Secure Geological Storage in the event the EPA does not launch the e-GGRT for reporting year 2025 by June 10, 2026. Taxpayers claiming the § 45Q credit for Calendar Year 2025 Secure Geological Storage may rely upon this notice to satisfy the requirements of § 1.45Q-3(b)(1)(ii) or 1.45Q-2(h)(5)(iii), as applicable, and § 1.45Q-3(d).

SECTION 6. DRAFTING INFORMATION

The principal author of this notice is the Office of Associate Chief Counsel (Energy, Credits, and Excise Tax). For further information regarding this notice contact (202) 317-6853 (not a toll-free call).

Notice of Issuance of Revenue Procedure 2026-8 Regarding Group Exemption Letter Program

Notice 2026-8

SECTION I. PURPOSE

This notice discusses the comments received in response to the proposed revenue procedure set forth in Notice 2020-36, 2020-21 I.R.B. 840, along with the modifications made in response to those comments and other significant revisions made by the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) to the proposed revenue procedure, which is published in final form as Rev. Proc. 2026-8, in this Bulletin.

SECTION II. BACKGROUND

On May 18, 2020, the Treasury Department and the IRS published Notice 2020-36, which contained a proposed revenue procedure to modify and supersede Rev. Proc. 80-27, 1980-1 C.B. 677 (as modified by Rev. Proc. 96-40, 1996-2 C.B. 301). The proposed revenue procedure provided updated procedures for a central organization described in § 501(c) of the Internal Revenue Code (Code)[1] to obtain recognition of exemption from federal income tax on a group basis for subordinate organizations described in § 501(c) that are affiliated with and under the general supervision or control of the central organization. The proposed revenue procedure also set forth updated procedures that a central organization would need to follow to maintain a group exemption letter. Under Notice 2020-36, the IRS stopped accepting applications for group exemption letters (group applications) starting on June 17, 2020 (30 days after the notice was published in the Internal Revenue Bulletin). As explained in section 2.08 of Rev. Proc. 2026-8, the IRS resumed accepting group applications after January 20, 2026, the date of its publication in the Internal Revenue Bulletin.

Notice 2020-36 requested comments on all aspects of the proposed revenue procedure because the Treasury Department and the IRS recognized that many of the updated provisions substantially differed from the procedures set forth in Rev. Proc. 80-27. The Treasury Department and the IRS also recognized that the new procedures might impose additional administrative burdens on existing central organizations and wanted to afford those organizations an opportunity to comment on the updated procedures. Notice 2020-36 specifically requested comments on the following:

- the administrative burden imposed by the collections of information in sections 3.02(3) (certain information a central organization that exercises general supervision over its subordinate organizations must annually collect from its subordinate organizations and transmit to its subordinate organizations), 3.05 (authorization for initial inclusion in or subsequent addition to a group exemption letter as a subordinate organization), and 6 (Supplemental Group Ruling Information or SGRI) of the proposed revenue procedure;
- factors indicating that a subordinate organization is affiliated with a central organization for purposes of section 3.02(2) of the proposed revenue procedure (description of affiliation); and
- whether central organizations with more than one preexisting group exemption letter would benefit from procedures permitting the consolidation or transfer of one or more preexisting group exemption letters.

SECTION III. COMMENT SUMMARY AND CHANGES TO THE PROPOSED REVENUE PROCEDURE

This section III summarizes the major provisions of the proposed revenue procedure, the substantive comments submitted in response to the proposed revenue procedure, and the material changes to the proposed revenue procedure that are incorporated in Rev. Proc. 2026-8. The Treasury Department and the IRS received 29 written comments in response to Notice 2020-36. The comments are available for public inspection upon request. Feedback in those comments informed the development of the finalized procedures in Rev. Proc. 2026-8.

.01 *Minimum Number of Subordinate Organizations Requirement.*

Section 3.01(2) of the proposed revenue procedure required a central organization to have at least five subordinate organizations to obtain a group exemption letter and at least one subordinate orga-

[1] Unless otherwise specified, all "Section" or "§" references are to sections of the Code.

nization to maintain a group exemption letter thereafter. One commenter recommended eliminating the first requirement, stating that it would discourage the use of group exemptions by making it more difficult for a central organization to recruit enough subordinate organizations to obtain a group exemption letter.

The Treasury Department and the IRS disagree with this comment. As explained in Notice 2020-36, the requirement for a central organization to have a minimum number of subordinate organizations to obtain a group exemption letter is due to the administrative burden that processing group applications imposes on the IRS. Notice 2020-36 noted that the administrative burden of processing one group application is comparable to the administrative burden of processing four individual exemption applications. Eliminating the requirement that a central organization have five subordinate organizations to obtain a group exemption letter would render the group exemption letter program inefficient in circumstances where a group application includes fewer than five subordinate organizations. Accordingly, section 4.01(2) of Rev. Proc. 2026-8 retains the requirement that a central organization have five subordinate organizations to obtain a group exemption letter because it appropriately balances the burdens the IRS faces in administering the group exemption letter program and the burdens central organizations face in complying with the requirements to obtain the benefits of the group exemption letter program.

.02 *Central Organizations Maintaining More Than One Group Exemption Letter.*

Section 3.01(3) of the proposed revenue procedure prohibited a central organization from maintaining more than one group exemption letter. Several commenters objected to this provision, claiming that it would decrease transparency and place significant administrative burdens on a central organization, particularly if coupled with the proposed revenue procedure's requirements involving matching, foundation classification, and uniform governing instruments.

As noted in Notice 2020-36, restricting the number of group exemption letters a central organization can maintain is necessary because traditionally, the IRS's electronic databases have not systematically tracked more than one group exemption letter per central organization. Moreover, maintaining more than one group exemption letter may adversely affect a central organization's ability to exercise general supervision or control over its subordinate organizations. Accordingly, section 4.01(3) of Rev. Proc. 2026-8 continues to prohibit a central organization from maintaining more than one group exemption letter. The commenters' concerns about the administrative burden of the prohibition on maintaining more than one group exemption letter given the proposed revenue procedure's requirements involving matching, foundation classification, and uniform governing instruments are addressed by the revisions to those provisions discussed in sections III.08, III.09, and III.11 of this notice.

.03 *Affiliation Requirement.*

Section 3.02(1) and (2) of the proposed revenue procedure required a central organization to establish that each subordinate organization to be included in the group exemption letter is affiliated with the central organization and stated that a subordinate organization's affiliation with the central organization is demonstrated by the entirety of the information required to be submitted in section 5.03 of the proposed revenue procedure. One commenter requested more clarity regarding the standard for determining whether a subordinate organization is affiliated with a central organization. In response, section 4.02(2) of Rev. Proc. 2026-8 adds several examples illustrating how a central organization may demonstrate affiliation with its subordinate organizations, while reforming the "entirety of the information" standard regarding affiliation that is set forth in section 3.02(2) of the proposed revenue procedure into a standard that reviews all "facts and circumstances showing that [the subordinate organization] is a chapter, local, post, or unit of the central organization."

.04 *General Supervision Standard.*

Section 3.02(1) of the proposed revenue procedure required a central organization to have one or more subordinate organizations under its general supervision or control. Section 3.02(3) of the proposed revenue procedure stated that the general supervision requirement is satisfied if the central organization (1) annually obtains, reviews, and retains information on the subordinate organization's finances, activities, and compliance with annual filing requirements (in accordance with section 7 of the proposed revenue procedure), and (2) transmits written information to (or otherwise educates) the subordinate organization about the requirements to maintain tax-exempt status under the applicable paragraph of § 501(c), including annual filing requirements (in accordance with section 7 of the proposed revenue procedure). Several commenters claimed that the general supervision standard in the proposed revenue procedure was ambiguous concerning the amount and type of information a central organization must obtain, review, and retain regarding its subordinate organizations' finances, activities, and compliance with filing requirements. One commenter requested more specificity regarding the way a central organization exercises general supervision over subordinate organizations that file Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990, or Form 990-EZ, Short Form Return of Organization Exempt From Income Tax*.

To provide additional clarity and specificity, section 4.02(3)(b) of Rev. Proc. 2026-8 provides that a central organization satisfies the requirement to obtain, review, and retain information about a subordinate organization by acquiring a copy of the Form 990, *Return of Organization Exempt From Income Tax*, or Form 990-EZ that the subordinate organization filed with the IRS. However, section 4.02(3)(b) of Rev. Proc. 2026-8 also provides that obtaining a copy of a Form 990-N will not satisfy the central organization's requirement to obtain, review, and retain information regarding the subordinate organization. Consequently, a central organization must obtain information about subordinate organizations that file Form 990-N in some other manner, such as by requiring additional annual written information from those subordinate organizations. Section 4.02(3)(c) of Rev. Proc. 2026-8 provides a separate rule for subordinate organizations that are not required to file an annual information return or notice. This new provision was added in response to different comments and is addressed in section III.07 of this notice.

Commenters also asked about the information a central organization must transmit to subordinate organizations regarding how to maintain tax-exempt status under § 501(c)(3). Section 4.02(3)(a)(ii) of Rev. Proc. 2026-8, like section 3.02(3)(b) of the proposed revenue procedure, is intentionally broad so as to afford a central organization flexibility in meeting the general supervision standard; however, to provide additional clarity, section 4.02(3)(a)(ii) of Rev. Proc. 2026-8 specifies that electronic delivery of such information is acceptable and that the required information must be transmitted to subordinate organizations annually. Additionally, section 4.02(5) of Rev. Proc. 2026-8 contains a new example that illustrates that one way a central organization can meet the standard in section 4.02(3)(a)(ii) of Rev. Proc. 2026-8 is to provide its subordinate organizations an electronic link to the latest version of Publication 557, *Tax-Exempt Status for Your Organization*.

Some commenters suggested that a subordinate organization should only be required to inform the central organization that it has complied with its filing obligations once every three years because § 6033(j)(1)(B) provides for the automatic revocation of tax-exempt status of certain organizations upon the failure to file a required information return or notice for three consecutive years. This suggestion is not adopted in Rev. Proc. 2026-8 because the Treasury Department and the IRS believe that the requirement that a central organization annually obtain, review, and retain information on its subordinate organizations helps ensure the subordinate organizations are complying with their filing requirements.

.05 *Control Standard.*

Section 3.02(4) of the proposed revenue procedure provided that a subordinate organization is subject to a central organization's control if (1) the central organization appoints a majority of the subordinate organization's officers, directors, or trustees; or (2) a majority of the subordinate organization's officers, directors, or trustees are officers, directors, or trustees of the central organization. Some commenters claimed that this control standard was overly rigid and that compliance with it would be burdensome, particularly for a central organization with numerous subordinate organizations. One commenter asked that the final revenue procedure consider alternative governance structures that also demonstrate control by the central organization, such as cases in which the central organization must approve the election of the subordinate organization's directors. Another commenter stated that the proposed control standard was at odds with principles of union democracy and that it directly contradicts provisions of the Labor-Management Reporting and Disclosure Act[2] that require officers of covered unions to be elected by a secret ballot of members.

The Treasury Department and IRS agree that the control standard should not be rigid to the point of being burdensome and should be generally compatible with principles of union democracy and alternative governance structures. To provide additional flexibility to the control standard, section 4.02(4)(e) of Rev. Proc. 2026-8 adds a third way for a central organization to establish control over a subordinate organization. The central organization can establish control over the subordinate organization using a written agreement evidencing its control over the subordinate organization's activities and operations. Rev. Proc. 2026-8 does not set forth a specific level of control that must be established in the written agreement. Whether the written agreement sufficiently establishes control depends on the facts and circumstances. This expansion of the control standard should alleviate the concerns expressed by commenters regarding alternative governance structures and the Labor-Management Reporting and Disclosure Act. Specifically, the expansion permits central organizations to use a written agreement that describes an alternative governance structure to establish control over subordinate organizations that use that alternative governance structure. This expansion also permits a central organization to establish control over its subordinate organizations using a written agreement addressing aspects of the subordinate organization's activities and operations without interfering with the election of union officers.

A commenter suggested that any reference in the control standard to "a majority of officers, directors, or trustees" must be limited to those officers, directors, and trustees that have voting power because, in the commenter's view, voting power evinces control. The Treasury Department and the IRS generally agree with this comment. Accordingly, section 4.02(4)(a)-(d) of Rev. Proc. 2026-8 provides that a subordinate organization is subject to a central organization's control if (1) the central organization appoints the subordinate organization's directors or trustees who possess a majority of the voting power with respect to the subordinate organization's governance, (2) the central organization appoints a majority of the subordinate organization's officers, (3) the subordinate organization's directors or trustees possessing a majority of the voting power with respect to the subordinate organization's governance are directors or trustees of the central organization, or (4) a majority of the subordinate organization's officers are officers of the central organization.

.06 *Use of Intermediate Subordinate Organizations to Establish General Supervision or Control.*

Several commenters suggested that the final revenue procedure allow a central organization to exercise general supervision or control over subordinate organizations through intermediate subordinate organizations. The Treasury Department and the IRS do not agree with these comments. A central organization is directly responsible for ensuring its subordinate organizations are entitled to federal tax-exempt status, and allowing a central organization to establish general supervision or control through intermediate subordinate organizations would run the risk of undermining this fundamental aspect of the group exemption letter program. Further, the use of intermediate subordinate organizations would create administrative complexities for the IRS in the event a group exemption letter is the subject of an examination.

[2] Labor-Management Reporting and Disclosure Act of 1959, Public Law 86-257, 73 Stat. 519 (codified as amended in Title 29 of the United States Code).

.07 *Concerns by Religious Organizations Regarding General Supervision or Control.*

Several religious organizations objected to the general supervision or control standards in section 3.02(3) and (4) of the proposed revenue procedure, claiming the standards would impermissibly interfere with their religious practices because their religious beliefs require self-governance and autonomy at the local level. These commenters argued that the proposed revenue procedure would prevent them from participating in the group exemption letter program, in violation of the First Amendment and the Religious Freedom Restoration Act.[3]

In response to the comments from these religious organizations, section 4.02(3)(c) of Rev. Proc. 2026-8 provides that a central organization does not have to annually obtain, review, and retain information on a subordinate organization's finances, activities, and compliance with annual filing requirements if that subordinate organization is not required to file an annual information return or notice. Under these circumstances, a central organization satisfies the general supervision standard in section 4.02(3)(a) of Rev. Proc. 2026-8 by annually transmitting written information to, or otherwise educating, the subordinate organization about the requirements to maintain tax-exempt status under the applicable paragraph of section 501(c), including, but not limited to, annual filing requirements, if applicable. Section 4.02(5)(c) of Rev. Proc. 2026-8 adds an example to further clarify this point. The Treasury Department and the IRS believe these commenters' concerns are alleviated by the aforementioned revisions to the general supervision standard of section 4.02(3) of Rev. Proc. 2026-8, because they can participate in the group exemption letter program by satisfying the general supervision standard, rather than the more onerous control standard.

Some religious organizations objected to the use of the term "subordinate organization," stating that the term does not accurately reflect their organizational structure. Rev. Proc. 2026-8 continues to use the term "subordinate organization" because the group exemption letter program has referred to organizations as subordinate organizations for many decades and changing the term now would likely cause confusion. The use of this nomenclature for purposes of the group exemption letter program does not have any impact on the federal tax treatment of the organizations that choose to participate in the group exemption letter program.

.08 *Matching Requirement for a Central Organization Described in § 501(c).*

Section 3.03(2)(a)(i) of the proposed revenue procedure retained the "matching requirement" found in Rev. Proc. 80-27, which required all subordinate organizations initially included in, or subsequently added to, a group exemption letter to be described in the same paragraph of § 501(c). Section 3.03(2)(a)(ii) of the proposed revenue procedure added an additional matching requirement that required all subordinate organizations initially included in, or subsequently added to, a group exemption letter to be described in the same paragraph of § 501(c) as the central organization, including a central organization that is described in § 501(c) and is an instrumentality or an agency of a political subdivision. Section 3.03(2)(a)(iii) of the proposed revenue procedure provided that this additional matching requirement would not apply if the central organization is an instrumentality or an agency of a political subdivision but is not described in § 501(c). Several commenters expressed support for the additional matching requirement, but others objected to it.

Notice 2020-36 explained that requiring subordinate organizations to be described in the same paragraph of § 501(c) as their central organization was intended to improve the central organization's ability to exercise general supervision or control over its subordinate organizations. Given the changes Rev. Proc. 2026-8 makes to other provisions of the proposed revenue procedure, the Treasury Department and the IRS have determined that it is not necessary for subordinate organizations to be described in the same paragraph of § 501(c) as their central organization. Accordingly, section 4.03(2)(a) of Rev. Proc. 2026-8 requires subordinate organizations to be described in the same paragraph of § 501(c) as one another, but subordinate organizations are not required to be described in the same paragraph of § 501(c) as their central organization.

.09 *Foundation Classification Requirement.*

Section 3.03(2)(b) of the proposed revenue procedure provided that all subordinate organizations described in § 501(c)(3) that are initially included in, or subsequently added to, a group exemption letter must be classified as public charities under the same paragraph of § 509(a), unless an exception applies. Several commenters stated that this "foundation classification requirement" accomplished little, due to the exceptions, and that it would increase administrative burdens in some instances. The Treasury Department and the IRS agree with this comment. Accordingly, Rev. Proc. 2026-8 does not include a foundation classification requirement.

.10 *Similar Purpose Requirement.*

Section 3.03(2)(c) of the proposed revenue procedure contained a "similar purpose requirement" that required all subordinate organizations under a group exemption letter to have a primary purpose that is described by the same National Taxonomy of Exempt Entities (NTEE) code. One commenter contended that the requirement would place unnecessary burdens on organizations and potentially limit participation in the group exemption letter program.

The Treasury Department and the IRS have determined that the similar purpose requirement contained in the proposed revenue procedure would not facilitate a central organization's exercise of general supervision or control over its subordinate organizations as was originally intended. Subordinate organizations under many group exemption letters have different purposes, and a central organization would have a strong incentive to select a NTEE code that describes a wide variety of purposes in order to comply with a similar purpose requirement. Furthermore, a similar purpose requirement is unnecessary because other provisions of Rev. Proc. 2026-8 adequately facilitate

[3] The Religious Freedom Restoration Act of 1993, Public Law 103-141, 107 Stat. 1488 (codified at 42 U.S.C. § 2000bb through 42 U.S.C. § 2000bb-4).

general supervision or control by a central organization. Accordingly, Rev. Proc. 2026-8 does not include a similar purpose requirement.

.11 *Uniform Governing Instrument Requirement.*

Section 3.03(2)(d) of the proposed revenue procedure provided that all subordinate organizations must adopt a uniform governing instrument, such as, but not limited to, a charter, trust indenture, articles of association, etc., and provided that representative instruments are not acceptable for this purpose. For group exemption letters including subordinate organizations described in § 501(c)(3) with different purposes, the proposed revenue procedure required the governing instrument describing each distinct charitable, educational, scientific, or other exempt purpose to be a uniform governing instrument.

Many commenters said that this "uniform governing instrument requirement" was untenable, claiming that complete uniformity is impossible in many circumstances because state law requirements for governing instruments vary from state to state. The commenters also said that subordinate organizations often have substantially different functions in carrying out the overarching purpose of a group, which often requires governing instruments that differ even though such differences do not necessarily reflect differences in purpose. Religious organizations raised concerns that the uniform governing instrument requirement would impermissibly interfere with church governance. One commenter noted that the uniform governing instrument requirement would be at odds with principles of union democracy and local decision making that are codified in the Labor-Management Reporting and Disclosures Act.

The Treasury Department and the IRS agree that the uniform governing instrument requirement in the proposed revenue procedure would impose burdens that outweigh its effectiveness in the administration of the group exemption letter program. Accordingly, Rev. Proc. 2026-8 does not include a uniform governing instrument requirement. Instead, section 4.03(2)(b) of Rev. Proc. 2026-8 sets forth a uniform purpose statement requirement that requires subordinate organizations that share the same purpose to have a uniform purpose statement in their governing instruments (for example, a charter, trust indenture, articles of association, etc.). If one or more subordinate organizations covered by a group exemption letter have a purpose that is different from the purpose of other subordinate organizations covered by the letter, the subordinate organizations that share a purpose must include the same uniform purpose statement in their governing instruments. The uniform purpose statement must generally describe the purpose of the subordinate organizations. The Treasury Department and the IRS believe that, unlike the uniform governing instrument requirement in the proposed revenue procedure, this uniform purpose statement requirement addresses commenters' concerns about the varying state laws regarding governing instruments. The uniform purpose statement requirement also allows subordinate organizations to retain appropriate autonomy from the central organization, as may be necessary for non-tax purposes. Moreover, requiring subordinate organizations to have a uniform purpose statement helps central organizations ensure that all subordinate organizations under their general supervision or control have a valid exempt purpose. The uniform purpose statement requirement also reduces the IRS's administrative burden because it enables more streamlined processing of group applications.

.12 *Annual Accounting Period Requirement.*

Section 4.02(5) of Rev. Proc. 80-27 required subordinate organizations to be on the same annual accounting period as the central organization to be included in a group return. While the proposed revenue procedure did not clearly provide this requirement, section 5.03(j) of the proposed revenue procedure required a central organization that submits a group application to include a statement that any subordinate organizations that will be included in a group return will be on the same annual accounting period as the central organization. To make it clear that the annual accounting period requirement in Rev. Proc. 80-27 remains applicable, section 4.03(2)(c) of Rev. Proc. 2026-8 sets forth an annual accounting period requirement equivalent to section 4.02(5) of Rev. Proc. 80-27.

.13 *Exclusion of Revoked Organizations.*

Under section 3.04(5) of the proposed revenue procedure, an organization that had its exemption automatically revoked and that has not yet had its exemption reinstated after filing an application for reinstatement was ineligible to be a subordinate organization under a group exemption letter until the IRS reinstated the organization's exemption. One commenter opined that this requirement is unnecessary and overly burdensome and suggested that a simplified procedure, such as filing a Form 990-series information return for the prior years, should be sufficient for an automatically revoked organization to join a group exemption letter.

Allowing an organization that has had its tax-exempt status automatically revoked to regain tax-exempt status by joining a group exemption letter would violate § 6033(j)(2). That section requires organizations that lose tax-exempt status by automatic revocation to apply for reinstatement to become tax-exempt again. Accordingly, section 4.04(5) of Rev. Proc. 2026-8 retains the requirement in the proposed revenue procedure that an organization that loses tax-exempt status by automatic revocation must be reinstated before it is eligible to be a subordinate organization. Further, section 9.07 of Rev. Proc. 2026-8, which discusses automatic revocation, clarifies that an organization that has its tax-exempt status automatically revoked must file an application for reinstatement to qualify for tax-exempt status even if the organization was not originally required to apply for tax-exempt status.

.14 *Authorization for Initial Inclusion or Subsequent Addition as a Subordinate Organization.*

Section 3.05(1) of the proposed revenue procedure retained the requirement from Rev. Proc. 80-27 that a subordinate organization must authorize a central organization in writing to include it in a group application. Section 3.05(2) of the proposed revenue procedure added that this authorization must acknowledge that the central organization may remove the subordinate organization from the group exemption letter if the subordinate orga-

nization fails to comply with the requirements of the proposed revenue procedure.[4] Some commenters were concerned that this new authorization requirement would not accommodate subordinate organizations that executed an authorization that satisfies Rev. Proc. 80-27 while waiting for the IRS to resume accepting group applications upon the publication of Rev. Proc. 2026-8. These commenters asked for a one-year transition period before the new authorization requirement goes into effect. Several commenters also suggested that, if a subordinate organization had been included in a group exemption letter for more than five years when Rev. Proc. 2026-8 is published, the IRS should presume that such subordinate organization provided the required authorization to the central organization even if a copy cannot be located.

Rev. Proc 2026-8 does not provide the transition period requested by the commenters and does not adopt the presumption for subordinate organizations that have been included in a group exemption letter for more than five years. If a subordinate organization executed an authorization that does not include a right of removal during the period when the IRS was not accepting group applications, the central organization must obtain a new authorization from the subordinate organization. Moreover, if a central organization cannot locate the required authorization for a subordinate organization, it must obtain a new authorization. The Treasury Department and the IRS have determined that the small burden in obtaining an authorization is justified because both central organizations and subordinate organizations must demonstrate compliance with Rev. Proc. 2026-8 to receive the administrative conveniences it affords.

Although Rev. Proc. 2026-8 does not include any of the revisions requested by commenters regarding the authorization for initial inclusion or subsequent addition to a group exemption letter as a subordinate organization in section 3.05 of the proposed revenue procedure, Rev. Proc. 2026-8 revises the authorization provision in the proposed revenue procedure to require the authorization to permit the central organization to remove the subordinate organization with or without cause, in accordance with the provisions of section 8.02 of Rev. Proc. 2026-8. This revision to the authorization provision reflects changes to the provisions of Rev. Proc. 2026-8 governing the removal of subordinate organizations by a central organization that are addressed in section III.17 of this notice.

.15 *Instructions for Submitting a Group Application.*[5]

No comments were received regarding the instructions for submitting a group application contained in section 5 of the proposed revenue procedure. However, the Treasury Department and the IRS have revised the instructions in the proposed revenue procedure, which are contained in section 6 of Rev. Proc. 2026-8, to reflect changes to other provisions of the proposed revenue procedure. Specifically, section 6.04(1)(o) of Rev. Proc. 2026-8 provides that the IRS can issue guidance requiring central organizations to provide additional information in a group application, and section 6.04(3) of Rev. Proc. 2026-8 requires a central organization with a pending group application to provide additional information to the IRS correcting any inaccurate information or representations in the pending group application, even if the inaccuracies arise after the application is submitted to the IRS. These two new provisions will increase the efficiency of the group exemption letter program and improve the integrity of data collected for purposes of oversight of the group exemption letter program.

The Treasury Department and the IRS also revised the instructions in the proposed revenue procedure regarding the method for submitting a group application. Under section 6.02 of Rev. Proc. 2026-8, group applications must be submitted electronically on Form 8940 at www.pay.gov, along with all information, documentation, and other materials required by Form 8940 and its instructions, including the appropriate user fee. The IRS may change the procedures for the submission of group applications through guidance published in the Internal Revenue Bulletin or in forms, instructions, publications, or a posting on irs.gov issued with respect to Rev. Proc. 2026-8.

.16 *Information Required to Maintain a Group Exemption Letter / Supplemental Group Ruling Information.*

Under section 6 of the proposed revenue procedure, when a central organization made a Supplemental Group Ruling Information (SGRI) submission adding a subordinate organization to its group exemption letter, the central organization was required to include certain information in the submission, including a statement that the information upon which the group exemption letter is based is applicable to the new subordinate organization in all material respects. The SGRI submission was also required to include, among other things, a detailed description of changes in the purposes and activities of subordinate organizations, as well as the date of formation of any subordinate organization that has changed its name or address or is no longer included in the group exemption letter.

One commenter stated that it might be inappropriate to require a central organization to report that the original information upon which a group exemption is based is applicable to a new subordinate organization if the central organization reported changes in the purposes or activities of the group exemption in previous SGRI submissions. In response, section 7.02(3)(b) of Rev. Proc. 2026-8 now provides that a central organization making an SGRI submission that adds a subordinate organization to its group exemption letter must include a statement that the information upon which the group exemption letter is based, as updated by the current or previous SGRI submissions, is applicable to the new subordinate organization in all material respects.

One commenter asked that the final revenue procedure provide a procedure for a central organization to request approval of any SGRI modifications the central organization makes to the information upon which its group exemption is based. This commenter stated that such

[4] The proposed revenue procedure and Rev. Proc. 2026-8 except preexisting subordinate organizations from this new authorization requirement.

[5] A central organization's submission to obtain a group exemption letter is referred to a "request for a group exemption letter" or a "group exemption letter request" in the proposed revenue procedure and as a "group application" in Rev. Proc. 2026-8. For purposes of consistency, this notice uses the term "group application."

an approval procedure will help the central organization ensure that its standards for reviewing new subordinate organizations remain acceptable to the IRS. At this time, the Treasury Department and the IRS decline to create a procedure to approve group exemption letter modifications because such a procedure would be inconsistent with the IRS's general position not to rule on modified activities of tax-exempt organizations. *See* section 3.01(83) of Rev. Proc. 2026-3, 2026-1 I.R.B. 143 (the IRS will not issue letter rulings or determination letters regarding whether an organization is or continues to be exempt from taxation under § 501(a) as an organization described in §§ 501(c) or 501(d), including whether changes in an organization's activities or operations will affect or jeopardize the organization's tax-exempt status); section 3.02(7) of Rev. Proc. 2026-5, 2026-1 I.R.B 258 (the IRS will not issue a determination letter if an organization recognized as tax-exempt under § 501(c) requests a new determination letter confirming that the organization continues to be recognized under the same Code section). If the IRS's position under section 3.01(83) of Rev. Proc. 2026-3 (or its successor), and section 3.02(7) of Rev. Proc. 2026-5 (or its successor) changes, the IRS may reconsider creating a procedure to approve group exemption letter modifications.

Another commenter took exception to the proposed revenue procedure's requirement that a central organization's SGRI submission include descriptions of all changes in the purposes and activities of subordinate organizations. This commenter stated that the proposed reporting requirement was overly broad, burdensome, and unnecessary. The Treasury Department and the IRS agree with the commenter. Accordingly, section 7.02(1) of Rev. Proc. 2026-8 contains the reporting requirements contained in Rev. Proc. 80-27, which only require information regarding changes in the purposes, character, or method of operation of subordinate organizations.

A final commenter suggested that SGRI submissions should not be required to include the date of formation of a subordinate organization if the purpose of the SGRI submission is to report a name or address change or that the subordinate organization is no longer part of the group exemption letter. In response, section 7.02(3)(a) of Rev. Proc. 2026-8 provides that a central organization is required to report the date of formation or incorporation of a subordinate organization in an SGRI submission only when it is adding the subordinate organization to its group exemption letter.

Rev. Proc. 2026-8 makes four additional changes to the SGRI provisions. First, section 7.01 of Rev. Proc. 2026-8 continues to require a central organization to submit its annual SGRI at least 30 days before the close of its annual accounting period but adds that a central organization may not submit its annual SGRI more than 90 days before the close of its annual accounting period. Second, section 7.02(2)(a)(iii) of Rev. Proc. 2026-8 provides that SGRI submissions must include a list of subordinate organizations whose tax-exempt status has been automatically revoked. Third, under section 7.02(4) of Rev. Proc. 2026-8, the IRS may specify additional information to be included in SGRI submissions through published guidance or another form of guidance issued after Rev. Proc. 2026-8 is published. Finally, under section 7.03, SGRI submissions must be made electronically. If the IRS has not published procedures for the electronic submission of SGRI by the publication date of Rev. Proc. 2026-8, SGRI must be mailed to the address set forth in section 7.03 of Rev. Proc. 2026-8. The IRS may change the address and the procedures for the submission of SGRI through guidance published in the Internal Revenue Bulletin or in forms, instructions, publications, or a posting on irs.gov issued with respect to Rev. Proc. 202-8. These new provisions will increase the efficiency of the group exemption letter program and improve the integrity of data collected for purposes of oversight of the group exemption letter program.

.17 *Termination of, or Removal from, the Group Exemption Letter.*

Section 8.01 of the proposed revenue procedure provided that the IRS may terminate a group exemption letter with respect to all subordinate organizations for, among other reasons, noncompliance by the central organization with the requirements of the proposed revenue procedure, including lateness in any SGRI submission and any failure to exercise general supervision or control over one or more subordinate organizations. One commenter claimed that the proposed revenue procedure's provisions involving IRS termination of a group exemption letter were too strict and may result in "isolated errors" causing the termination of a group exemption letter. The Treasury Department and the IRS do not agree with this comment. The termination provisions contained in the proposed revenue procedure are necessary to ensure that central organizations and subordinate organizations remain in compliance with the requirements of the group exemption letter program. Further, several of the proposed revenue procedure's requirements have been relaxed in Rev. Proc. 2026-8, easing the burdens on organizations participating in the group exemption letter program and making it less likely that errors resulting in an IRS termination will occur. Additionally, IRS termination under section 8.01(1) of Rev. Proc. 2026-8 is discretionary and the IRS can consider whether an error is isolated when determining whether termination is warranted. Accordingly, Rev. Proc. 2026-8 contains the termination provisions as proposed.

The proposed revenue procedure provided that the IRS can also terminate a group exemption letter with respect to all subordinate organizations if more than half of the subordinate organizations have had their exemptions automatically revoked. A commenter expressed concern about this provision, noting that it is common for small subordinate organizations to rely on volunteers who may not understand their filing responsibilities and that if one or more of the subordinate organizations has their exemption automatically revoked, it puts the group exemption letter at risk of termination. The Treasury Department and the IRS disagree with this comment. If more than half of the subordinate organizations have had their exemptions automatically revoked, it is appropriate to terminate the group exemption letter because the Treasury Department and the IRS do not believe the administrative conveniences afforded by the group exemption letter program should be available when the majority of underlying subordinate organizations fail to satisfy their statutory

filing requirements. Accordingly, section 8.01(1)(g) of Rev. Proc. 2026-8 retains the IRS's ability to terminate a group exemption letter if the tax-exempt status of more than half of the subordinate organizations under that group exemption letter is automatically revoked for failure to satisfy annual filing requirements.

Section 8.02 of the proposed revenue procedure provided that a subordinate organization will be removed from a group exemption letter if (i) the central organization notifies the IRS that the subordinate organization will no longer be included in the group exemption letter, (ii) the IRS determines that the subordinate organization is a type of entity disqualified from being a subordinate organization, (iii) the subordinate organization's exemption is automatically revoked, or (iv) the subordinate organization fails to satisfy certain requirements of the proposed revenue procedure. While commenters did not submit any comments regarding these provisions, Rev. Proc. 2026-8 contains a number of revisions regarding when subordinate organizations may be removed from a group exemption letter.

Section 8.02(1) of Rev. Proc. 2026-8 sets forth the circumstances when a subordinate organization may be removed from a group exemption letter by the IRS. This provision has been revised to remove references to the foundation classification and similar purpose requirements because those requirements have been eliminated and are not contained in Rev. Proc. 2026-8; however, a new provision contained in section 8.02(1)(b) of Rev. Proc. 2026-8 permits the IRS to remove a subordinate organization from a group exemption letter for any failure to meet the requirements of Rev. Proc. 2026-8 or other published guidance relating to Rev. Proc. 2026-8, other than the bases for removal set forth in section 8.02(1)(a) of Rev. Proc. 2026-8. Unlike removal under section 8.02(1)(a) of Rev. Proc. 2026-8, and the corresponding provisions of the proposed revenue procedure, where removal is mandatory, removal of a subordinate organization from a group exemption letter under section 8.02(1)(b) of Rev. Proc. 2026-8 is discretionary. The Treasury Department and the IRS believe this new provision is appropriate because it provides flexibility in considering the severity of the subordinate organization's failure to meet the requirements under the group rulings program.

Section 8.02(2) of Rev. Proc. 2026-8 governs when a central organization can remove a subordinate organization from a group exemption letter. As is the case under Rev. Proc. 80-27, Rev. Proc. 2026-8 permits a central organization to remove a subordinate organization without action by the IRS. The central organization accomplishes this removal by sending an SGRI submission to the IRS just as required by Rev. Proc. 80-27. Specifically, section 8.02(2) of Rev. Proc. 2026-8 states a subordinate organization ceases to be included in a group exemption letter on the date the central organization notifies the IRS of the removal.

Section 8.02(2) of Rev. Proc. 2026-8 also clarifies that a central organization may remove a subordinate organization from its group exemption letter with or without cause. The proposed revenue procedure was not clear whether a subordinate organization can be removed without cause. The Treasury Department and the IRS believe that a central organization should be able to remove a subordinate organization from its group exemption letter with or without cause, because that ability affords the central organization flexibility in overseeing the composition of its group exemption letter.

Finally, section 8.02(3) of Rev. Proc. 2026-8 provides that a central organization must give a subordinate organization at least 30 days' notice before the subordinate organization can be removed from a group exemption letter. The Treasury Department and the IRS believe this notice requirement affords subordinate organizations opportunity to prepare for removal from a group exemption letter.

.18 *Effect of Non-Acceptance, Non-Issuance, Termination, or Removal.*

Section 9 of the proposed revenue procedure addressed ways that organizations may obtain recognition of tax-exempt status if they are included as a subordinate organization in a group application that is not accepted or for which the IRS declines to issue a group exemption letter. The proposed revenue procedure also addressed ways that organizations may regain recognition of tax-exempt status if their group exemption letter is terminated or if they are removed from their group exemption letter. Though commenters did not submit any comments regarding these provisions of the proposed revenue procedure, Rev. Proc. 2026-8 reflects two clarifying revisions.

Sections 9.05(2)(b) and (c) of Rev. Proc. 2026-8 clarify that a subordinate organization included in a group application that is not accepted by the IRS, included in a group application where the IRS declines to issue a group exemption letter, or included in a group exemption letter that is terminated, may obtain recognition of its tax-exempt status by being included in a group application by the same central organization. If a subordinate organization is removed from a group exemption letter, it may not be included in a group application by the same central organization because central organizations are only permitted to have one group exemption letter.

Section 9.05(2)(e) of Rev. Proc. 2026-8, which is a provision that was not included in the proposed revenue procedure, clarifies that a subordinate organization may obtain recognition of its exempt status by being added back to a group exemption letter from which it was removed. The proposed revenue procedure did not provide for a subordinate organization to obtain recognition of its tax-exempt status in this manner.

.19 *Effective Date of Exemption.*

Under section 10 of the proposed revenue procedure, a subordinate organization added to a group exemption letter is tax-exempt from the submission date of the SGRI adding the organization to the group exemption letter (unless the organization was already recognized as tax-exempt or included in another group exemption letter, in which case the organization retains its earlier effective date of exemption). The proposed revenue procedure provided that a subordinate organization included in a group application is tax-exempt from the date of its formation if all the subordinate organizations included in the group application were formed within 27 months of the postmark date of the group application. If any of the subordinate organizations included in the group application were formed more than 27 months before the postmark date of the group application and were not previously

recognized as tax-exempt or included in another group exemption letter, then each subordinate organization would be recognized as tax-exempt from the postmark date of the group application.

Commenters recommended revising the rule regarding subordinate organizations added to a group exemption letter to provide that a newly formed subordinate organization is treated as tax-exempt from its date of formation if the SGRI adding the organization to the group exemption letter was submitted within 27 months of the organization's date of formation. According to these commenters, the rule in the proposed revenue procedure is unduly burdensome because it requires a central organization to make an SGRI submission immediately upon the formation of each new subordinate organization to avoid any period during which the subordinate organization is not tax-exempt.

The Treasury Department and the IRS agree with this comment. Accordingly, section 10.02 of Rev. Proc. 2026-8 provides that the effective date of exemption for a subordinate organization that was not previously recognized as tax-exempt or included in another group exemption letter and that is added to a group exemption letter within 27 months of its date of formation is the organization's date of formation. The effective date of exemption for a subordinate organization that was not previously recognized as tax-exempt or included in another group exemption letter and that is added to a group exemption letter more than 27 months after its date of formation will be the submission date of the SGRI adding it to the group exemption letter.

One commenter recommended revising the rule regarding the effective date of exemption of subordinate organizations included in a group application because it penalizes innocent subordinate organizations if only one subordinate organization was formed more than 27 months before the postmark date of the group application and creates a disincentive for organizations to be included in a group application. According to this commenter, any organization formed within 27 months of the postmark date of the application should be treated as tax-exempt from its date of formation even if there are other subordinate organizations included in the group application that were formed more than 27 months before the postmark date.

Rev. Proc. 2026-8 does not include the suggested revision. Like the rules in section 10 of the proposed revenue procedure, section 10.01 of Rev. Proc. 2026-8 provides that if any subordinate organization included in a group application was formed more than 27 months before the submission of the group application, the effective date of exemption for all subordinate organizations listed in the group application will be the submission date of the group application. However, section 10.01 of Rev. Proc. 2026-8 differs from the corresponding provisions in Rev. Proc. 80-27 and the proposed revenue procedure in that it provides that subordinate organizations recognized as tax-exempt or that are included in another group exemption letter immediately prior to being included in the group application retain their effective date of exemption. This revision provides continuity for those subordinate organizations by clarifying that they retain their effective date of exemption. The Treasury Department and the IRS believe sections 10.01 and 10.02 of Rev. Proc. 2026-8 provide central organizations with sufficient flexibility to achieve the desired effective date of exemption for each subordinate organization, while continuing to facilitate efficient processing of group applications in the same manner as the effective date rules contained in Rev. Proc. 80-27.

.20 *Preexisting Subordinate Organization Rule and Transition Period.*

The proposed revenue procedure contained two provisions limiting its applicability to preexisting group exemption letters and preexisting subordinate organizations.[6] The first rule provided that certain provisions of the proposed revenue procedure do not apply to preexisting subordinate organizations (PSO rule). The second rule provided that certain provisions of the proposed revenue procedure do not apply during a one-year transition period.

One commenter said the PSO rule should be expanded to exclude preexisting subordinate organizations from all requirements in the proposed revenue procedure that are not contained in Rev. Proc. 80-27. According to this commenter, the new requirements could cause thousands of organizations to be removed from preexisting group exemption letters and forced to apply for tax-exempt status individually. Alternatively, the commenter recommended several variations of the PSO rule providing a more limited application of the rule regarding the matching, foundation classification, and similar purpose requirements. The Treasury Department and IRS do not adopt any of the commenters' recommendations because they would essentially require the IRS to operate the group exemption letter program using two vastly different sets of rules and doing so would unduly burden the IRS. Further, the commenter's suggestions regarding applying the PSO rule with respect to the matching, foundation classification, and similar purpose requirements are not discussed because these requirements have been substantially revised in, or omitted from, Rev. Proc. 2065-8, as explained in sections III.08, III.09, and III.10 of this notice.

A commenter requested that a preexisting subordinate organization that has had its tax-exempt status automatically revoked, but subsequently reinstated, be considered a preexisting subordinate organization for purposes of the PSO rule. This commenter expressed concern that providing otherwise would be unduly burdensome for unsophisticated organizations because they are more likely to have their exemption automatically revoked. Under section 3.10 of Rev. Proc. 2026-8, a preexisting subordinate organization whose exemption has been automatically revoked also loses its status as a preexisting subordinate organization. Reinstatement of tax-exempt status, whether retroactive or not, will not cause the organization to regain its status as a preexisting subordinate organization. A subordinate

[6] A "preexisting group exemption letter" is any group exemption letter in existence on the date Rev. Proc. 2026-8 is published in the Internal Revenue Bulletin. Rev. Proc. 2026-8, § 3.09. A "preexisting subordinate organization" is any subordinate organization included in a preexisting group exemption letter on the date Rev. Proc. 2026-8 is published in the Internal Revenue Bulletin. *Id.* at § 3.10.

organization that has its tax-exempt status automatically revoked is removed from a group exemption letter pursuant to section 8.02(1)(a)(iii) of Rev. Proc. 2026-8. If the organization is subsequently added back to the group exemption letter, it will not meet the definition of a preexisting subordinate organization because it is added to the group exemption letter after the publication date of Rev. Proc. 2026-8. While this result may burden some subordinate organizations, it is necessary for proper administration of the group exemption letter program and to ensure that organizations comply with their obligations under Rev. Proc. 2026-8. To illustrate the consequences where a preexisting subordinate organization is removed from a group exemption letter, section 3.10 of Rev. Proc. 2026-8 contains a revised definition of the term preexisting subordinate organization and section 12.03(5) of Rev. Proc. 2026-8 provides an example of the effect of removal.

A commenter requested expansion of the transition period from one year to three years. The Treasury Department and the IRS do not adopt this suggestion because extending the transition period to three years would require the IRS to administer two group exemption letter programs for the duration of the extended period, which would unduly increase the administrative burden and decrease the efficiency of the group exemption letter program. Accordingly, the transition period in section 12.02(2) of Rev. Proc. 2026-8 has not been extended to three years. Instead, section 12.02(2) of Rev. Proc. 2026-8 provides for a transition period ending on January 22, 2027, rather than exactly one year after publication of the revenue procedure. The Treasury Department and the IRS made this revision to ease the administrative burden of the group exemption letter program on the IRS.

Although Rev. Proc. 2026-8 does not include any of the revisions to the PSO rule and transition period specifically requested by commenters, the Treasury Department and the IRS revised these rules after further considering their scope and application. Under the proposed revenue procedure, the general supervision and control standards were not applicable to preexisting subordinate organizations. The Treasury Department and IRS do not believe preexisting subordinate organizations should be permanently excepted from the new affiliation, supervision, and control provisions contained in the proposed revenue procedure. Instead, it is more appropriate to require preexisting subordinate organizations to comply with the new provisions after the transition period. Accordingly, sections 12.02(2)(a)(iii) and 12.02(2)(d) of Rev. Proc. 2026-8 provide that the general supervision and control provisions are covered by the transition rule and apply to preexisting group exemption letters and preexisting subordinate organizations after a transition period ending on January 22, 2027. This change facilitates uniformity in the administration of the group exemption letter program by limiting the time during which the IRS must administer two different group exemption letter programs. This change also benefits central organizations with preexisting group exemption letters by affording them time to ensure that their relationships with their preexisting subordinate organizations comply with Rev. Proc. 2026-8. In addition, the proposed revenue procedure inadvertently failed to include the affiliation provision in the PSO rule or the transition period. Sections 12.02(2)(a)(iii) and 12.02(2)(d) of Rev. Proc. 2026-8 clarify that the affiliation provision also applies to preexisting group exemption letters and preexisting subordinate organizations after the transition period ending on January 22, 2027.

The PSO rule and transition period in the proposed revenue procedure have also been revised to conform with revisions made to other provisions of the proposed revenue procedure. For example, the foundation classification requirement, similar purpose requirement, and uniform governing instrument requirement have each been removed from the PSO rule, as these requirements were eliminated from the operative rules. In addition, the PSO rule in section 12.02(3)(a) of Rev. Proc. 2026-8 provides that preexisting subordinate organizations need not comply with the uniform purpose statement requirement found in section 4.03(2)(b) of Rev. Proc. 2026-8.

Although it appears that the application of the PSO rule and transition period to the matching requirement has been revised as published in Rev. Proc. 2026-8, the revisions are not substantive. The PSO rule in the proposed revenue procedure provided that the matching requirement did not apply to preexisting subordinate organizations and did not draw a distinction between the requirement that subordinate organizations be described in the same paragraph of § 501(c) as the central organization and the requirement that subordinate organizations be described in the same paragraph of § 501(c) as other subordinate organizations covered by the group exemption letter. However, a subsequent provision of the proposed revenue procedure, separate from the transition period of the proposed revenue procedure, provided that central organizations with a preexisting group exemption letter had the duration of the transition period to ensure that all subordinate organizations were described in the same paragraph of § 501(c). Like the proposed revenue procedure, Rev. Proc. 2026-8 provides that central organizations have the duration of the transition period to comply with the matching requirement obligating all subordinate organizations covered by a group exemption letter to be described in the same paragraph of § 501(c); however, this provision is clearly contained in the transition period in section 12.02(2) of Rev. Proc. 2026-8. As explained above in section III.08 of this notice, the matching requirement in Rev. Proc. 2026-8 does not require subordinate organizations to be described in the same paragraph of § 501(c) as the central organization, so this requirement is not addressed in the PSO rule or transition period provision.

Finally, the proposed revenue procedure inadvertently excluded organizations described in § 501(c)(29) from its PSO rule. Accordingly, section 12.02(3)(c) of Rev. Proc. 2026-8 includes organizations described in § 501(c)(29) in the PSO rule.

.21 *Declaratory Judgment Provisions of § 7428.*

Section 11 of the proposed revenue procedure explained when the declaratory judgment provisions of § 7428 apply in the context of group exemption letters. The Treasury Department and IRS have determined that it is more appropriate to provide such guidance in a future update to section 10 of Rev. Proc. 2026-5 (or its successor), which explains when and how a declaratory judgment proceeding under

§ 7428 may be filed in the United States Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia. Section 11 of Rev. Proc. 2026-8 provides information regarding whether a declaratory judgement action under § 7428 must be filed by a controlling organization or a subordinate organization.

.22 *Reliance.*

Section 12 of the proposed revenue procedure, which related to donor reliance on a group exemption letter, explained how donors could verify that contributions to a subordinate organization are deductible under § 170. A commenter suggested several revisions to this provision to address issues that are unique to subordinate organizations. As stated in Notice 2020-36, the reliance section of the proposed revenue procedure was intended to incorporate previously issued guidance rather than propose new policies and procedures. After further consideration, the Treasury Department and the IRS have excluded the donor reliance provisions from Rev. Proc. 2026-8 because the rules governing donor reliance are already published in Rev. Proc. 2018-32, 2018-23 I.R.B. 739. Accordingly, Rev. Proc. 2026-8 does not include the commenter's suggested revisions.

.23 *Annual Filing Requirement / Disclosure of Group Applications and Group Exemption Letter Requests.*

Sections 7 and 13 of the proposed revenue procedure addressed the filing of group returns under § 6033 and the disclosure of group returns, group applications, and supporting documents under § 6104(a) and (d). These sections simply incorporated information located in previously published guidance. After further consideration, the Treasury Department and the IRS have excluded these sections from Rev. Proc. 2026-8.

SECTION IV. DRAFTING INFORMATION

The principal author of this notice is Seth Groman of the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). For further information regarding this notice contact Seth Groman at (202) 317-5640 (not a toll-free call).

2026 Standard Mileage Rates

Notice 2026-10

SECTION 1. PURPOSE

This notice provides the optional 2026 standard mileage rates for taxpayers to use in computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes. This notice also provides the amount taxpayers must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that may be used in computing the allowance under a fixed and variable rate (FAVR) plan. Additionally, this notice provides the maximum fair market value (FMV) of employer-provided automobiles first made available to employees for personal use in calendar year 2026 for which employers may use the fleet-average valuation rule in § 1.61-21(d)(5)(v) or the vehicle cents-per-mile valuation rule in § 1.61-21(e).[1]

SECTION 2. BACKGROUND

Rev. Proc. 2019-46, 2019-49 I.R.B. 1301, provides rules for computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes, and for substantiating, under § 274(d) and § 1.274-5, the amount of ordinary and necessary business expenses of local transportation or travel away from home. Taxpayers using the standard mileage rates must comply with Rev. Proc. 2019-46, except to the extent the law has been specifically changed by Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA). However, a taxpayer is not required to use the substantiation methods described in Rev. Proc. 2019-46, but instead may substantiate using actual allowable expense amounts, if the taxpayer maintains adequate records or other sufficient evidence.

An independent contractor conducts an annual study for the Internal Revenue Service of the fixed and variable costs of operating an automobile to determine the standard mileage rates for business, medical, and moving use reflected in this notice. The standard mileage rate for charitable use is set by § 170(i).

Longstanding regulations under § 61 provide special valuation rules for employer-provided automobiles. The amount that must be included in the employee's income and wages for the personal use of an employer-provided automobile generally is determined by reference to the automobile's FMV. If an employer chooses to use a special valuation rule, the special value is treated as the FMV of the benefit for income tax and employment tax purposes. Section 1.61-21(b)(4). Two such special valuation rules, the fleet-average valuation rule and the vehicle cents-per-mile valuation rule, are set forth in § 1.61-21(d)(5)(v) and § 1.61-21(e), respectively. These two special valuation rules are subject to limitations, including that they may be used only in connection with automobiles having values that do not exceed a maximum amount set forth in the regulations.

SECTION 3. STANDARD MILEAGE RATES

The standard mileage rate for transportation or travel expenses for 2026 is 72.5 cents per mile for all miles of business use (business standard mileage rate). See section 4 of Rev. Proc. 2019-46. However, § 70110 of the OBBBA made permanent the disallowance for all miscellaneous itemized deductions that are subject to the two-percent of adjusted gross income floor under § 67, including unreimbursed employee travel expenses. Thus, the business standard mileage rate provided in this notice cannot be used to claim an itemized deduction for unreimbursed employee travel expenses, except for cer-

[1] Unless otherwise specified, all "section" or "§" references are to sections of the Internal Revenue Code or the Income Tax Regulations (26 CFR part 1).

tain educator expenses as described later. However, deductions for expenses that are deductible in determining adjusted gross income remain allowable. For example, members of a reserve component of the Armed Forces of the United States (Armed Forces), state or local government officials paid in whole or in part on a fee basis, and certain performing artists are entitled to deduct unreimbursed employee travel expenses as an adjustment to total income on line 12 of Schedule 1 of Form 1040 (2025), *U.S. Individual Income Tax Return*, not as an itemized deduction on Schedule A of Form 1040 (2025), and therefore may continue to use the business standard mileage rate. See § 62(a)(2). Similarly, eligible educators are also entitled to deduct certain unreimbursed employee travel expenses as an adjustment to total income on line 11 of Schedule 1 of Form 1040 (2025) up to the dollar limit, but alternatively they may be entitled to an itemized deduction on Schedule A of Form 1040 for 2026. See §§ 62(a)(2)(D) and 67(b)(13).

The standard mileage rate is 14 cents per mile for use of an automobile in rendering gratuitous services to a charitable organization under § 170. See § 170(i); see also section 5 of Rev. Proc. 2019-46.

The standard mileage rate for 2026 is 20.5 cents per mile for use of an automobile: (1) for medical care described in § 213; or (2) as part of a move for which the expenses are deductible under § 217(g), as supplemented by § 217(k)(2). See also section 5 of Rev. Proc. 2019-46. Section 70113(a) of the OBBBA made permanent the disallowance for the deduction for moving expenses, except to the extent § 217(g) applies, for taxable years beginning after December 31, 2017, and § 70113(b) of the OBBBA added a new provision that included certain members of the intelligence community within the scope of § 217(g). Accordingly, members of the Armed Forces on active duty who move pursuant to a military order and incident to a permanent change of station to whom § 217(g) applies and members of the intelligence community who move after December 31, 2025, pursuant to a change of assignment which requires relocation, are permitted to deduct certain moving expenses. Thus, except for taxpayers to whom § 217(g) applies, including certain members of the intelligence community, the standard mileage rate provided in this notice is not applicable for the use of an automobile as part of a move.

SECTION 4. BASIS REDUCTION AMOUNT

For automobiles a taxpayer uses for business purposes, the portion of the business standard mileage rate treated as depreciation is 26 cents per mile for 2022, 28 cents per mile for 2023, 30 cents per mile for 2024, 33 cents per mile for 2025, and 35 cents per mile for 2026. See section 4.04 of Rev. Proc. 2019-46.

SECTION 5. MAXIMUM STANDARD AUTOMOBILE COST

For purposes of computing the allowance under a FAVR plan, the standard automobile cost may not exceed $61,700 for automobiles (including trucks and vans). See section 6.02(6) of Rev. Proc. 2019-46.

SECTION 6. MAXIMUM VALUE OF EMPLOYER-PROVIDED AUTOMOBILES

For purposes of the fleet-average valuation rule in § 1.61-21(d)(5)(v) and the vehicle cents-per-mile valuation rule in § 1.61-21(e), the maximum FMV of automobiles (including trucks and vans) first made available to employees in calendar year 2026 is $61,700.

SECTION 7. EFFECTIVE DATE

This notice is effective for: (1) deductible transportation expenses paid or incurred on or after January 1, 2026; (2) mileage allowances or reimbursements paid to a charitable volunteer or a member of the Armed Forces to whom § 217(g) applies and certain members of the intelligence community: (a) on or after January 1, 2026, and (b) for transportation expenses the charitable volunteer or such member of the Armed Forces or member of the intelligence community pays or incurs on or after January 1, 2026; and (3) for purposes of the maximum FMV of employer-provided automobiles for which employers may use the fleet-average valuation rule in § 1.61-21(d)(5)(v) or the vehicle cents-per-mile rule in § 1.61-21(e), automobiles first made available to employees for personal use on or after January 1, 2026.

SECTION 8. EFFECT ON OTHER DOCUMENTS

Notice 2025-5 is superseded.

DRAFTING INFORMATION

The principal author of this notice is Christian Lagorio of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information on this notice regarding the use of an employee-provided automobile, contact Mr. Lagorio at (202) 317-7005 (not a toll-free number). For further information on this notice regarding the use of an employer-provided automobile, contact Stephanie Caden of the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes), at (202) 317-4774 (not a toll-free number).

26 CFR 601.201: Rulings and determination letters
(Also: §501; 1.501(a)-1)

Rev. Proc. 2026-8

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SECTION 1. PURPOSE

This revenue procedure modifies and supersedes Rev. Proc. 80-27, 1980-1 C.B. 677 (as modified by Rev. Proc. 96-40, 1996-2 C.B. 301) by setting forth updated procedures to obtain recognition of exemption from federal income tax on a group basis for organizations described in § 501(c) of the Internal Revenue Code (Code)[1] that are affiliated with and under the general supervision or control of a central organization. This revenue procedure relieves each subordinate organization included in a group exemption letter from filing its own application for recognition of exemption. This revenue procedure also sets forth updated procedures a central organization must follow to maintain a group exemption letter.

SECTION 2. BACKGROUND

.01 Section 508 provides special rules with respect to organizations described in § 501(c)(3), including the general requirement in § 508(a) that organizations must notify the Secretary of the Treasury or the Secretary's delegate (Secretary) that they are applying for recognition of § 501(c)(3) status. Section 505 provides additional requirements for organizations described in § 501(c)(9) or (17), including the general requirement in § 505(c) that organizations must notify the Secretary that they are applying for recognition of exemption under § 501(c)(9) or (17). Sections 1.508-1(a)(1) and 1.505(c)-1T provide additional information regarding the way the notice required under §§ 508(a) and 505(c) is given to the Internal Revenue Service (IRS). Organizations described in other paragraphs of § 501(c), such as social welfare organizations described in § 501(c)(4), may, but are not required to, apply for recognition of exemption. However, § 506 generally requires an organization described in § 501(c)(4) to notify the Secretary, in the manner prescribed in § 1.506-1, of the organization's intent to operate as such no later than 60 days after the organization is established.

.02 Section 508(c)(2)(B) permits the Secretary, by regulation, to except organizations from the § 508(a) notice requirement if the Secretary determines that full compliance is not necessary for the efficient administration of the provisions relating to private foundations.

.03 Section 1.508-1(a)(3)(i) provides that the § 508(a) notice requirement does not apply to specific types of organizations, including subordinate organizations included in a group exemption letter.

.04 Rev. Proc. 68-13, 1968-1 C.B. 764, superseded by Rev. Proc. 72-41, 1972-2 C.B. 820, Rev. Proc. 77-38, 1977-2 C.B. 571, and Rev. Proc. 80-27, set forth the first published procedures for obtaining recognition of exemption from federal income tax on a group basis for organizations described in § 501(c). The most recent guidance regarding group exemption letters is set forth in Rev. Proc. 80-27, as modified by Rev. Proc. 96-40.

.05 Rev. Proc. 2018-32, 2018-23 I.R.B. 739, sets forth the extent to which grantors and contributors may rely on the listing of a central organization in IRS databases of organizations eligible to receive tax-deductible contributions under § 170, for purposes of determining whether the grants or contributions to the organization may be deductible under § 170.

.06 In Notice 2020-36, 2020-21 I.R.B. 840, the Department of the Treasury (Treasury Department) and the IRS invited comments regarding a proposed revenue procedure that, if finalized, would modify and supersede Rev. Proc. 80-27 by setting forth updated procedures for obtaining recognition of exemption from federal income tax on a group basis for subordinate organizations described in § 501(c), including transition relief for existing organizations. The Treasury Department and the IRS received 29 comments in response to Notice 2020-36.

.07 After considering the comments received in response to Notice 2020-36, the Treasury Department and the IRS issue this revenue procedure to reduce the administrative burden and increase the efficiency of the group exemption letter program, improve the integrity of data

[1] Unless otherwise specified, all "section" or "§" references are to sections of the Code or the Income Tax Regulations (26 CFR part 1).

collected for purposes of oversight of the group exemption letter program, increase the transparency of the group exemption letter program, and increase compliance by central organizations and subordinate organizations with requirements of the group exemption letter program. This revenue procedure also provides greater certainty and clarity to central organizations and subordinate organizations under existing group exemption letters and organizations that file an application for a group exemption letter after the date of publication of this revenue procedure in the Internal Revenue Bulletin (publication date).

.08 Notice 2020-36 provides that the IRS will not accept applications for group exemption letters on or after June 17, 2020, until publication of the final revenue procedure or other guidance in the Internal Revenue Bulletin. The IRS will resume accepting applications for group exemption letters after January 20, 2026, the publication date.

SECTION 3. DEFINITIONS OF TERMS USED IN THIS REVENUE PROCEDURE

.01 The term "annual information return or notice" means the return or notice an organization must file annually under § 6033(a) or (i) of the Code (that is, Form 990, *Return of Organization Exempt From Income Tax*; Form 990-EZ, *Short Form Return of Organization Exempt From Income Tax*; Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or Form 990-EZ*; or, in the context of a central organization that is a private foundation, Form 990-PF, *Return of Private Foundation*).

.02 The term "application" means a request for recognition of exemption from federal income tax under § 501 in the manner described by Rev. Proc. 2026-5, 2026-1 I.R.B. 258 (or its successor).

.03 The term "application for reinstatement" means an application filed in the manner described by Rev. Proc. 2014-11, 2014-3 I.R.B. 411, as supplemented by Rev. Proc. 2026-5 (or its successor), after an organization's exemption has been automatically revoked.

.04 The term "automatically revoked" means, with respect to an organization, the revocation of the organization's exemption by operation of § 6033(j) for failure to file an annual information return or notice for three consecutive years.

.05 The term "central organization" means an organization described in § 501(c), a political subdivision or integral part of a political subdivision, or an instrumentality of a political subdivision that has one or more subordinate organizations under its general supervision or control.

.06 The term "a church or a convention or association of churches" has the same meaning as the term in § 170(b)(1)(A)(i).

.07 The term "group application" means an application for a group exemption letter.

.08 The term "group exemption letter" means a letter issued by the IRS to a central organization recognizing the exemption from federal income tax on a group basis for subordinate organizations described in § 501(c).

.09 The term "preexisting group exemption letter" means a group exemption letter in existence on the publication date.

.10 The term "preexisting subordinate organization" means a subordinate organization included in a preexisting group exemption letter on the publication date. If a preexisting subordinate organization is removed from a group exemption letter and is subsequently added back to the group exemption letter from which it was removed, it will not be a preexisting subordinate organization.

.11 The term "submission date" means-

(1) In the case of any document filed on paper with the IRS, (a) the postmark date applied by the United States Postal Service, or (b) for any document given to a designated delivery service (as such term is defined in § 7502(f)(2)) for delivery, the date that is recorded electronically to a database by the designated delivery service or marked on the cover of the document by the designated delivery service; and

(2) In the case of any document filed electronically with the IRS, the date of transmittal to the IRS.

.12 The term "subordinate organization" means an organization described in § 501(c) that is a chapter, local, post, or unit of a central organization. It must have a governing instrument (for example, a charter, trust indenture, articles of association, etc.), whether or not it is incorporated.

.13 The term "supplemental group ruling information" or "SGRI" means the information described in section 7.02 of this revenue procedure that a central organization must submit annually to the IRS about its subordinate organizations unless an exception applies.

SECTION 4. REQUIREMENTS TO OBTAIN AND MAINTAIN A GROUP EXEMPTION LETTER

.01 *General requirements.*

(1) *Recognition of exemption.* On or before the date it files a group application, a central organization described in § 501(c) must either (a) be recognized by the IRS as tax-exempt, (b) have filed an application, or (c) in the case of a central organization that has had its exemption automatically revoked, have filed an application for reinstatement.

(2) *Minimum number of subordinate organizations.* A central organization must have at least five subordinate organizations to obtain a group exemption letter, and it must have at least one subordinate organization to maintain the group exemption letter thereafter (except as provided in section 12.02(2)(a)(i) of this revenue procedure, which provides a transition period for preexisting group exemption letters).

(3) *Only one group exemption letter.* A central organization may maintain only one group exemption letter (except as provided in section 12.02(2)(a)(ii) of this revenue procedure, which provides a transition period for preexisting group exemption letters).

.02 *The central organization's relationship with its subordinate organizations.*

(1) *In general.* Each subordinate organization initially included in a group application, or subsequently added to a group exemption letter, must be (1) affiliated with the central organization, and (2) subject to its general supervision or control, as such terms are defined in this section 4.02 (except as provided in section 12.02(2)(a)(iii) of this revenue procedure, which provides a transition period for preexisting subordinate organizations). The terms "affiliated," "general supervision," and "control," as used in this reve-

nue procedure, apply only for purposes of this revenue procedure and § 1.6033-2(d) (relating to group returns).

(2) *Affiliated.* 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. For example, a subordinate organization may demonstrate its affiliation with a central organization by (a) the inclusion of its information on a group return described in § 1.6033-2(d) that includes the four-digit group exemption number (GEN); (b) the current inclusion of the subordinate organization in a directory of subordinate organizations updated annually by the central organization; or (c) in the case of a subordinate organization that is a church or a convention or association of churches, the sharing of common religious bonds or convictions with the central organization.

(3) *General supervision.*

(a) *In general.* A subordinate organization is subject to the general supervision of a central organization if the central organization:

(i) Annually obtains, reviews, and retains information on the subordinate organization's finances, activities, and compliance with annual filing requirements; and

(ii) Annually transmits (including electronically) written information to, or otherwise educates, the subordinate organization about the requirements to maintain tax-exempt status under the applicable paragraph of § 501(c), including, but not limited to, annual filing requirements, if applicable.

(b) *Form 990 or Form 990-EZ.* A central organization may obtain the information regarding a subordinate organization required by section 4.02(3)(a)(i) of this revenue procedure by obtaining a copy of the subordinate organization's Form 990 or Form 990-EZ. A copy of the subordinate organization's Form 990-N is not sufficient to satisfy the requirement to obtain the information regarding the subordinate organization required by section 4.02(3)(a)(i) of this revenue procedure.

(c) *Exception for subordinate organizations not required to file annual information returns or notices.* If a subordinate organization is not required to file an annual information return or notice, a central organization may, but is not required to, satisfy section 4.02(3)(a)(i) of this revenue procedure regarding the subordinate organization. See section 4.02(5) of this revenue procedure for an example illustrating the operation of this section 4.02(3).

(4) *Control.* A subordinate organization is subject to the control of a central organization if:

(a) The central organization appoints the subordinate organization's directors or trustees who possess a majority of the voting power with respect to the subordinate organization's governance;

(b) The central organization appoints a majority of the subordinate organization's officers;

(c) The subordinate organization's directors or trustees possessing a majority of the voting power with respect to the subordinate organization's governance are directors or trustees of the central organization;

(d) A majority of the subordinate organization's officers are officers of the central organization; or

(e) The central organization and the subordinate organization enter into a written agreement that evidences the central organization's control over the subordinate organization's activities and operations. For example, the written agreement may contain provisions that describe an alternative governance structure in which the central organization must approve the election of the subordinate organization's directors or has the right to remove directors at any time with or without cause. Alternatively, the central organization may enter into a management agreement with the subordinate organization giving it direct control over the subordinate organization's activities and operations.

(5) *Example of general supervision when not all subordinate organizations are required to file annual information returns or notices.*

(a) Central organization A is described in § 501(c)(3). A has a group exemption letter for subordinate organizations described in § 501(c)(3) that are organized and operated for charitable, educational, and religious purposes. A is a church and the subordinate organizations are churches, schools (below college level), and hospitals.

(b) A exercises general supervision over A's subordinate organizations that are hospitals by annually obtaining, reviewing, and retaining copies of those subordinate organizations' annual information returns and by annually providing each hospital an electronic link to the current version of Publication 557, *Tax-Exempt Status for Your Organization*, available on irs.gov, which provides information about the requirements to maintain tax-exempt status under § 501(c)(3) and annual filing requirements.

(c) A exercises general supervision over A's subordinate organizations that are churches and schools by annually providing each church and school an electronic link to the current version of Publication 1828, *Tax Guide for Churches & Religious Organizations*, available on irs.gov, which provides information about the requirements to maintain tax-exempt status under § 501(c)(3). A is not required to annually obtain, review, or retain information on the finances, activities, and compliance with annual filing requirements of the subordinate organizations that are churches or schools because those subordinate organizations are not required to file annual information returns or notices pursuant to § 1.6033-2(g)(1)(i).

.03 *Organizations eligible for initial inclusion in a group application, or subsequent addition to a group exemption letter, as subordinate organizations.*

(1) *In general.* An organization described in § 501(c) is eligible for initial inclusion in a group application, or subsequent addition to a group exemption letter, as a subordinate organization if it meets the requirements of section 4.03(2) of this revenue procedure and is not described in section 4.04 of this revenue procedure.

(2) *Requirements for initial inclusion in a group application, or subsequent addition to a group exemption letter, as a subordinate organization.* In addition to being affiliated with the central organization and subject to its general supervision or control, all subordinate organizations initially included in a group application, or subsequently added to a group exemption letter, must meet the requirements of this section 4.03(2) (except as provided in sections 12.02(2) and 12.02(3) of this revenue procedure, regarding requirements applicable to preexisting subordinate

organizations after a transition period and requirements not applicable to preexisting subordinate organizations).

(a) *Matching requirement.* All subordinate organizations under a group exemption letter must be described in the same paragraph of § 501(c). Subordinate organizations are not required to be described in the same paragraph of § 501(c) as the central organization.

(b) *Uniform purpose statement requirement.* Subordinate organizations that share the same purpose must have a uniform purpose statement in their governing instruments (for example, a charter, trust indenture, articles of association, etc.). If one or more subordinate organizations covered by a group exemption letter have a purpose that is different from the purpose of other subordinate organizations covered by the letter, the subordinate organizations that share a purpose must include the same uniform purpose statement in their governing instruments. For example, if a group exemption letter includes subordinate organizations that are schools and hospitals, the subordinate organizations that are schools must include the same uniform purpose statement in their governing instruments and the subordinate organizations that are hospitals must include the same uniform purpose statement in their governing instruments. The uniform purpose statement must generally describe the purpose of the subordinate organizations.

(c) *Annual accounting period requirement.* Subordinate organizations included on a group return filed by the central organization on behalf of those subordinate organizations must be on the same annual accounting period as the central organization (see § 1.6033-2(d) for information on filing group returns).

.04 *Organizations not eligible for initial inclusion in a group application, or subsequent addition to a group exemption letter, as subordinate organizations.* The following organizations cannot be initially included in a group application, or subsequently added to a group exemption letter, as subordinate organizations:

(1) An organization that is organized in a foreign country;

(2) An organization described in § 501(c)(3) that is classified as a private foundation under § 509(a);

(3) An organization described in § 501(c)(3) that, pursuant to § 509(a)(3)(B)(iii), is operated in connection with one or more organizations described in § 509(a)(1) or (2) (that is, an organization classified as a Type III supporting organization under § 509(a)(3) and § 1.509(a)-4(i));

(4) A qualified nonprofit health insurance issuer described in § 501(c)(29); and

(5) An organization that has had its exemption automatically revoked and that has not had its exemption reinstated after filing an application for reinstatement.

.05 *Continued inclusion in a group exemption letter.* A subordinate organization initially included in a group application, or subsequently added to a group exemption letter, must continue to satisfy sections 4.02, 4.03, and 4.04 of this revenue procedure to remain a subordinate organization under the group exemption letter.

.06 *Authorization for initial inclusion in a group application, or subsequent addition to a group exemption letter, as a subordinate organization.*

(1) *In general.* A subordinate organization must authorize the central organization to include the subordinate organization in a group application or to add the subordinate organization to an existing group exemption letter. This authorization must be in writing, and it must be signed by an officer of the subordinate organization with personal knowledge of the facts and with authority to legally bind the subordinate organization.

(2) *Removal.* The authorization described in this section 4.06 must acknowledge that the central organization may remove the subordinate organization from the group exemption letter with or without cause, in accordance with section 8.02(2) of this revenue procedure.

.07 *Employer identification numbers (EINs).* A central organization, and each subordinate organization, must have its own EIN. The central organization must obtain an EIN prior to filing its application, and each subordinate organization (or the central organization on a subordinate organization's behalf) must obtain an EIN prior to its initial inclusion in a group application or subsequent addition to a group exemption letter. If, pursuant to § 1.6033-2(d), a central organization elects to file a group return for two or more subordinate organizations, the central organization must obtain an EIN (separate from the central organization's EIN) that is issued solely for the purpose of the group return.

.08 *Annual information return or notice.* A central organization generally must file its own annual information return or notice unless an exception applies. Each subordinate organization initially included in a group application, or subsequently added to a group exemption letter, generally must also file an annual information return or notice or have its information included in a group return described in § 1.6033-2(d) filed by the central organization unless an exception applies.

SECTION 5. CONSIDERATION OF GROUP APPLICATIONS

.01 *Group applications.* The IRS will consider group applications that meet the requirements of section 6 of this revenue procedure.

.02 *Non-acceptance.* A group application that is missing any information required by section 6 of this revenue procedure or Rev. Proc. 2026-5 (or its successor) will be deemed incomplete and will not be accepted for processing by the IRS.

.03 *Circumstances under which group exemption letters are not ordinarily issued.* The IRS may decline to issue a group exemption letter if it is not in the interest of sound tax administration. For example, the IRS may decline to issue a group exemption letter if the activities described in the group application involve complex facts and circumstances that are more appropriately evaluated on an organization-by-organization basis.

SECTION 6. INSTRUCTIONS FOR SUBMITTING A GROUP APPLICATION

.01 *Group applications.* A group application must meet the requirements of this section 6. A subordinate organization included in a group application should not apply separately for recognition of exemption (except in the circumstances described in section 9 of this revenue procedure, regarding the effect of non-acceptance, non-issuance, termination, or removal).

.02 *Electronic submission.* Group applications must be submitted electronically on Form 8940 at www.pay.gov, along with all information, documentation, and other materials required by Form 8940 and the instructions thereto, including the appropriate user fee. The IRS may change the procedures for the submission of group applications through guidance published in the Internal Revenue Bulletin or in forms, instructions, publications, or a posting on irs.gov issued with respect to this revenue procedure.

.03 *Information about the central organization.*

(1) *In general.* A central organization must include the following information in its group application:

(a) The central organization's name, address, and EIN; and

(b) Information establishing that it is a central organization described in section 3.05 of this revenue procedure.

(2) *Request concurrent with application.* A central organization described in § 501(c) that has not obtained recognition of exemption at the time it files a group application may submit the group application concurrently with its own application, or, in the case of a central organization that has had its exemption automatically revoked, with its application for reinstatement (see section 4.02(7)(a) of Rev. Proc. 2026-5 (or corresponding section(s) of its successor)).

.04 *Information about the subordinate organizations.*

(1) *In general.* A central organization must include the following information and representations regarding the subordinate organizations in its group application:

(a) The name, mailing address, EIN, and date of formation or incorporation of each subordinate organization to be included in the group exemption letter (a current directory of subordinate organizations may be furnished if the directory includes the required information);

(b) A representation that each subordinate organization is affiliated with the central organization and subject to its general supervision or control;

(c) A representation that the subordinate organizations are all described in the same paragraph of § 501(c);

(d) The paragraph of § 501(c) under which the subordinate organizations are or will be described;

(e) A representation that no subordinate organization is organized under the laws of a foreign country;

(f) If the subordinate organizations included in the group application are described in § 501(c)(3), a representation that no subordinate organization is a private foundation under § 509(a) or a Type III supporting organization under § 509(a)(3) and § 1.509(a)-4(i);

(g) A representation that no subordinate organization is a qualified nonprofit health insurance issuer described in § 501(c)(29);

(h) A representation that no subordinate organization (i) has had its exemption automatically revoked and (ii) not had its exemption reinstated after filing an application for reinstatement;

(i) If the subordinate organizations are described in § 501(c)(3) and classified as public charities, the paragraph(s) of §§ 509(a) and 170(b)(1)(A) (if applicable) under which they are classified;

(j) A representation that each subordinate organization sharing the same purpose has adopted a uniform purpose statement (as described in section 4.03(2)(b) of this revenue procedure) as a part of its governing instrument;

(k) The text of the uniform purpose statement(s) adopted by the subordinate organizations sharing the same purpose as part of their governing instruments;

(l) A detailed description of each subordinate organization's purpose(s) and activities, including the sources of its receipts and the nature of its expenditures;

(m) A representation that each subordinate organization has furnished the central organization the written authorization described in section 4.06 of this revenue procedure;

(n) A representation confirming that all subordinate organizations were organized within 27 months of the submission date of the group application, or, if any subordinate organizations were organized more than 27 months before the submission date, a statement that all subordinate organizations, other than subordinate organizations recognized by the IRS as being described in § 501(c) or included in another group exemption letter immediately prior to being included in the group application, agree to be recognized as exempt from the submission date of the group application;

(o) If the central organization will file a group return on behalf of two or more subordinate organizations, a representation that the subordinate organizations included on such group return are (or will be) on the same annual accounting period as the central organization (see § 1.6033-2(d) for information on filing group returns); and

(p) Such additional information as the IRS may specify in published guidance in the Internal Revenue Bulletin or in other guidance, such as forms, instructions, publications, or a posting on irs.gov issued with respect to this revenue procedure.

(2) *Additional requirements.* A central organization with subordinate organizations that are private schools, charitable hospitals, or social welfare organizations must submit the information described in this section 6.04(2), as applicable, in addition to the information generally required by this section 6.

(a) *Private schools.* If the group application involves subordinate organizations that are or will be private schools described in § 501(c)(3), the central organization must include 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 such other information necessary to establish that the subordinate organizations comply with the requirements of Rev. Rul. 71-447, 1971-2 C.B. 230.

(b) *Charitable hospitals.* If the group application involves subordinate organizations that are or will be hospital organizations or facilities described in § 501(c)(3), the central organization must provide the information necessary to establish that each subordinate organization meets the requirements of § 501(r) and Rev. Rul. 69-545, 1969-2 C.B. 117.

(c) *Social welfare organizations.* If the group application involves subordinate organizations that are or will be described in § 501(c)(4), the central organization must represent that each subordinate organization has complied with or will comply with the requirements of § 506 and Rev. Proc. 2016-41, 2016-30 I.R.B. 165. A subordinate organization may authorize an individual representing a central organization to submit Form 8976, *Notice of Intent to Operate Under Section 501(c)(4)*, on

behalf of the subordinate organization and to receive any communications relating to the submission.

(3) *Updates to a pending group application.* If a central organization determines that any of the information or representations regarding a subordinate organization set forth in a group application is not accurate after the group application has been filed with the IRS, the central organization must submit additional information to the IRS correcting the inaccurate information or representations. For example, if a subordinate organization included in a group application ceases operations and dissolves under state law after the group application was filed with the IRS, the central organization must provide an updated list of subordinate organizations to be included in the group exemption letter that does not include the organization that went out of existence.

.05 *New group application after the termination of a group exemption letter.* If the IRS terminates a group exemption letter as described in section 8.01(1) of this revenue procedure, a central organization may file a new group application in the manner described in this section 6, but the central organization must include a description of the policies or procedures it has implemented, or intends to implement, to ensure the new group exemption letter satisfies the requirements of this revenue procedure.

SECTION 7. INFORMATION REQUIRED TO MAINTAIN A GROUP EXEMPTION LETTER

.01 *Information required annually.* Except as provided in section 7.05 of this revenue procedure (regarding central organizations that are churches or conventions or associations of churches), a central organization must submit the information described in this section 7 to the IRS annually at least 30 days, but no more than 90 days, before the close of the central organization's annual accounting period. A central organization may provide additional updates at any time.

.02 *Supplemental group ruling information (SGRI).*

(1) *Change in purpose, character, or method of operation.* A central organization must submit information regarding all changes in the purposes, character, or method of operation of all subordinate organizations included in the group exemption letter.

(2) *Lists of certain changes.*

(a) *Categories.* A central organization must submit a separate list for each of the following categories of changes (as applicable):

(i) Subordinate organizations that have changed their name and/or mailing address during the year;

(ii) Subordinate organizations that are no longer included in the group exemption letter;

(iii) Subordinate organizations whose exemptions have been automatically revoked; and

(iv) Subordinate organizations that are being added to the group exemption letter.

(b) *Required information.* Each list described in this section 7.02(2) must include the name, mailing address, and EIN for each subordinate organization identified in the list.

(c) *No annotated directories.* An annotated directory of subordinate organizations is not acceptable for purposes of this section 7.02(2).

(3) *Organizations to be added to the group exemption letter as subordinate organizations.* A central organization must submit the following statements and information regarding the subordinate organizations being added to the central organization's group exemption letter:

(a) The date of formation or incorporation of each subordinate organization;

(b) A statement that the information upon which the group exemption letter was based (see section 6.04 of this revenue procedure, regarding information about subordinate organizations to be included with a group application), as updated by the current or previous SGRI submissions, is applicable in all material respects to each subordinate organization;

(c) A statement that the central organization has written authorization to include the subordinate organizations in the group exemption letter (see section 6.04(1)(l) of this revenue procedure);

(d) A statement regarding the accounting period of subordinate organizations on behalf of which the central organization will file a group return, if applicable (see section 6.04(1)(n) of this revenue procedure); and

(e) Any additional information required by section 6.04(2) of this revenue procedure (pertaining to private schools, charitable hospitals, and social welfare organizations), if applicable.

(4) *Other Information.* A central organization must submit any other information that the IRS may specify in guidance published in the Internal Revenue Bulletin or in forms, instructions, publications, or a posting on irs.gov issued with respect to this revenue procedure.

(5) *No change.* If there are no changes that are required to be reported under this section 7, a central organization must submit a statement that it has no reportable changes.

.03 *Electronic submission.* The information required in this section 7 must be submitted electronically. If the IRS has not published procedures for electronic submission of the information required in this section 7 by the publication date, then the information must be sent to the address set forth below. The IRS may change the address below and procedures for the submission of information required by this section 7 through guidance published in the Internal Revenue Bulletin or in forms, instructions, publications, or a posting on irs.gov issued with respect to this revenue procedure.

Ogden Service Center
Mail Stop 6271
1000 South 1200
Ogden, UT 84404-4749

.04 *Additional information.* Submission of the information required by this section 7 does not relieve a central organization or any of its subordinate organizations of the duty to submit such additional information as the IRS may require to determine whether the conditions for continued exemption are met. See §§ 6001 and 6033 and the regulations thereunder.

.05 *Exception for central organizations that are churches or conventions or associations of churches.* A central organization described in § 501(c)(3) that is a church or a convention or association of churches and that maintains a group exemption letter may, but is not required

to, submit the information described in this section 7.

SECTION 8. TERMINATION OF, OR REMOVAL FROM, THE GROUP EXEMPTION LETTER

.01 *Termination of the group exemption letter.*

(1) *Termination by the IRS.* Subject to the applicability provisions set forth in section 12 of this revenue procedure, the IRS may terminate a group exemption letter for any of the reasons set forth in this section 8.01(1). See section 6.05 of this revenue procedure if a central organization files a new group application after the IRS terminates the central organization's group exemption letter.

(a) The central organization notifies the IRS that the central organization is going out of existence.

(b) The IRS determines that the central organization is no longer described in § 501(c) and therefore is not exempt under § 501(a).

(c) The central organization's exemption is automatically revoked.

(d) The central organization (other than a church or a convention or association of churches) fails to submit timely and complete SGRI.

(e) The central organization has no subordinate organizations.

(f) The central organization fails to exercise general supervision or control over one or more subordinate organizations.

(g) More than half of the subordinate organizations have had their exemptions automatically revoked.

(h) More than half of the subordinate organizations fail to satisfy the matching or uniform purpose statement requirement in section 4.03(2) of this revenue procedure.

(i) The central organization otherwise fails to satisfy the requirements of this revenue procedure.

(2) *Termination by the central organization.* A central organization may terminate its group exemption letter at any time by submitting a statement in the same manner as an SGRI submission as set forth in section 7.03 of this revenue procedure. The central organization should notify each subordinate organization of the termination and provide information regarding how the subordinate organization may obtain recognition of its exemption (see section 9.05 of this revenue procedure) or claim exemption without recognition (see section 9.06 of this revenue procedure).

.02 *Removal from the group exemption letter.*

(1) *Basis for removal by the IRS.*

(a) The IRS will remove a subordinate organization from a group exemption letter if:

(i) The IRS determines that the subordinate organization is no longer described in § 501(c) and therefore is not exempt under § 501(a);

(ii) The IRS determines that the subordinate organization is an organization not eligible for initial inclusion in a group application, or subsequent addition to a group exemption letter, because it is a foreign organization, private foundation, Type III supporting organization, or qualified nonprofit health insurance issuer;

(iii) The subordinate organization's exemption is automatically revoked; or

(iv) The IRS determines that the subordinate organization is described in a paragraph of § 501(c) that is different from the paragraph in which the central organization stated that the subordinate organizations would be described in its group application.

(b) The IRS may remove a subordinate organization from a group exemption letter if the IRS determines that the subordinate organization otherwise fails to meet the requirements of this revenue procedure or guidance published in the Internal Revenue Bulletin or in forms, instructions, publications, or a posting on irs.gov issued with respect to this revenue procedure.

(2) *Basis for removal by the central organization.* A subordinate organization will cease to be included in a group exemption letter on the date the central organization notifies the IRS, through an SGRI submission consistent with section 7.02(2)(a)(ii) of this revenue procedure, that the subordinate organization is no longer included in the group exemption letter. Removal of a subordinate organization by the central organization can be with or without cause. The central organization may not submit the SGRI removing the subordinate organization prior to the end of the 30-day period set forth in section 8.02(3) of this revenue procedure.

(3) *Notification.* A central organization must provide a subordinate organization with at least 30 days' notice prior to removing the subordinate organization from the central organization's group exemption letter. After removing the subordinate organization from the group exemption letter by submitting SGRI to the IRS, the central organization also must notify the subordinate organization that it has been removed from the group exemption letter and provide the subordinate organization with information regarding how it may obtain recognition of its exemption (see section 9.05 of this revenue procedure) or claim exemption without recognition (see section 9.06 of this revenue procedure).

(4) *Group exemption letter remains in effect.* After the removal of one or more subordinate organizations under this section 8.02, a group exemption letter will remain in effect for all subordinate organizations that were not removed. However, if no subordinate organizations remain after the removal, the IRS will terminate the central organization's group exemption letter. (See section 8.01(1)(e) of this revenue procedure.)

SECTION 9. EFFECT OF NON-ACCEPTANCE, NON-ISSUANCE, TERMINATION, OR REMOVAL

.01 *Effect of non-acceptance or non-issuance.* Except as provided in this section 9, if the IRS does not accept a group application because it lacks information required by this revenue procedure or if the IRS declines to issue a group exemption letter in the interest of sound tax administration, the IRS will not recognize the exemption of any organization included in the group application as a subordinate organization. If the IRS previously issued a determination letter to such subordinate organization individually and that determination letter is still effective on the date of non-acceptance or non-issuance, as applicable, then the IRS will recognize the existing determination letter. Alternatively, the subordinate organization may obtain recognition of its exemption by completing one of the actions set forth in section 9.05 of this revenue procedure, relating to subsequent recognition of

exemption. (See section 9.06 of this revenue procedure for subordinate organizations not required to apply for recognition of exemption under § 505 or § 508.)

.02 *Effect of termination.* Except as provided in this section 9, if the IRS or a central organization terminates a group exemption letter for all subordinate organizations, the IRS will not thereafter recognize the exemption of any subordinate organization included in the group exemption letter unless such subordinate organization completes one of the actions described in section 9.05 of this revenue procedure, relating to subsequent recognition of exemption. (See section 9.06 of this revenue procedure for subordinate organizations not required to apply for recognition of exemption under § 505 or § 508.)

.03 *Effect of removal.* If the IRS or the central organization removes a subordinate organization from a group exemption letter, the IRS will not thereafter recognize the exemption of that subordinate organization unless such subordinate organization completes one of the actions described in section 9.05 of this revenue procedure, relating to subsequent recognition of exemption. (See section 9.06 of this revenue procedure for subordinate organizations not required to apply for recognition of exemption under § 505 or § 508.)

.04 *Churches and conventions or associations of churches.* The tax-exempt status of any organization that is described in § 501(c)(3) that is a church or convention or association of churches and is (1) included as a subordinate organization in a group application that is not accepted or not issued, (2) part of a group exemption letter that is terminated, or (3) removed from a group exemption letter in accordance with section 8 of this revenue procedure, will not be affected by such non-acceptance or non-issuance, termination, or removal. See § 508(c)(1)(A).

.05 *Subsequent recognition of exemption.*

(1) *In general.* Notwithstanding sections 9.01, 9.02, and 9.03 of this revenue procedure, and subject to section 9.07 of this revenue procedure, an organization that (i) is included as a subordinate organization in a group application that is not accepted or for which the IRS declines to issue a group exemption letter, (ii) is a subordinate organization under a group exemption letter that is terminated, or (iii) is a subordinate organization that is removed from a group exemption letter, may obtain recognition of exemption by completing one of the actions described in this section 9.05, as applicable.

(2) *Organization required to file an application.* An organization required to apply for recognition of exemption under § 505 or § 508 that has not had its exemption automatically revoked may obtain recognition of exemption by:

(a) Filing an application for which the IRS issues a favorable determination;

(b) In circumstances where a group application is not accepted or a group exemption letter is not issued by the IRS, being included by the same central organization in a new group application, if the group exemption letter is issued;

(c) In circumstances where a group exemption letter is terminated, being included by the same central organization in a new group application, if the group exemption letter is issued;

(d) Being included by a different central organization in a new group application, if the group exemption letter is issued;

(e) In circumstances where a subordinate organization is removed from a group exemption letter, being added back to the group exemption letter from which it was removed; or

(f) Being added to a group exemption letter maintained by a different central organization.

(3) *Organization not required to file an application.* An organization (including a church or convention or association of churches) that is not required to apply for recognition of exemption under § 505 or § 508 and that has not had its exemption automatically revoked may obtain recognition of its exemption in the same manner described in section 9.05(2) of this revenue procedure, relating to procedures for an organization required to apply for recognition of exemption under § 505 or § 508, but the organization is not required to do so. An organization that intends to operate as an organization described in § 501(c)(4) is required to submit a completed Form 8976 in the manner described in Rev. Proc. 2016-41 (unless an exception applies).

.06 *Subsequent exemption without recognition from the IRS.* Notwithstanding sections 9.01, 9.02, and 9.03 of this revenue procedure, and subject to section 9.07 of this revenue procedure, an organization that is not required to apply for recognition of exemption under § 505 or § 508 may qualify for tax-exempt status without applying for recognition of exemption from the IRS, provided that the organization satisfies the requirements for tax-exempt status and files annual information returns or notices (unless an exception to the annual return or notice requirement applies). An organization that intends to operate as an organization described in § 501(c)(4) is required to submit a completed Form 8976 in the manner described in Rev. Proc. 2016-41 (unless an exception applies).

.07 *Automatic revocation.* If a subordinate organization's exemption has been automatically revoked, it must file an application for reinstatement to qualify for tax-exempt status, regardless of whether the organization was originally required to apply for recognition of exemption under § 505 or § 508. See § 6033(j)(2). An organization whose exemption has been automatically revoked can be included in a new group application as a subordinate organization or added to a group exemption letter as a subordinate organization only after being reinstated pursuant to Rev. Proc. 2014-11. See section 4.04(5) of this revenue procedure.

SECTION 10. EFFECTIVE DATE OF EXEMPTION

.01 *Initial inclusion.* If all the subordinate organizations included in a group application were organized within 27 months of the submission date of the group application, the effective date of exemption for each subordinate organization will be the subordinate organization's date of formation. If a group application includes one or more subordinate organizations that were organized more than 27 months before the submission date of the group application, the effective date of exemption for each subordinate organization will generally be the submission date of the group application. However, in this latter context, the effective date of exemption of a subordinate organization that was

recognized by the IRS as being described in § 501(c) or included in another group exemption letter immediately prior to being included in a group application will be the effective date of the organization's exemption immediately prior to being included in the group application. For purposes of this section 10, "immediately prior" means that the organization was recognized by the IRS as being described in § 501(c) on the date the new group application is submitted.

.02 *Subsequent addition.* The effective date of exemption of an organization that is subsequently added to a group exemption letter as a subordinate organization depends on the organization's tax-exempt status immediately prior to its addition to the group exemption letter. If, at such time, the organization was recognized by the IRS as being described in § 501(c), the effective date of exemption will be the effective date of the organization's exemption immediately prior to its addition to the group exemption letter to which it is being added. If an organization is not recognized by the IRS as being described in § 501(c) immediately prior to its addition to the group exemption letter, its effective date of exemption will be its date of formation if the organization was organized within 27 months of the submission date of the SGRI adding the organization to the group exemption letter. Alternatively, if the organization was organized more than 27 months before the submission date of the SGRI adding the organization to the group exemption letter, its effective date of exemption will be the submission date of the SGRI adding it to the group exemption letter. Cf. section 6.09 of Rev. Proc. 2026-5 (or corresponding section(s) of its successor).

.03 *Non-acceptance, non-issuance, termination, or removal.*

(1) *In general.* The effective date of exemption for any organization seeking subsequent recognition of exemption in accordance with section 9.05 of this revenue procedure depends on the action taken by such organization, as set forth in this section 10.03.

(2) *Organizations filing an application*.

(a) *Non-acceptance or non-issuance.* If the IRS does not accept a group application, or if the IRS declines to issue a group exemption letter, and an organization included in the group application as a subordinate organization subsequently files an application, the effective date of exemption for the organization will be determined in accordance with section 6.09 of Rev. Proc. 2026-5 (or corresponding section(s) of its successor), provided that the organization otherwise meets the requirements for tax-exempt status.

(b) *Termination or removal.*

(i) *In general*. If the IRS or a central organization terminates a group exemption letter or if the IRS or a central organization removes a subordinate organization from a group exemption letter and the subordinate organization subsequently files an application, the effective date of exemption for such subordinate organization will be determined under section 10.03(2)(b)(ii) or (iii) of this revenue procedure, as applicable.

(ii) *Application filed within 27 months of termination or removal.* If an organization included in a group exemption letter as a subordinate organization files an application within 27 months of the date on which the group exemption letter was terminated or the subordinate organization was removed from the group exemption letter, the effective date of exemption for the subordinate organization will be the date on which the group exemption letter was terminated or the subordinate organization was removed from the group exemption letter, provided that the subordinate organization otherwise meets the requirements for tax-exempt status.

(iii) *Application filed more than 27 months after termination or removal.* If an organization included in a group exemption letter as a subordinate organization files an application more than 27 months after the date on which the group exemption letter was terminated or the subordinate organization was removed from the group exemption letter, the effective date of exemption for the former subordinate organization will be the submission date of its application, provided that the organization otherwise meets the requirements for tax-exempt status.

(3) *Organizations being included in a new group application.* The effective date of exemption for any subordinate organization described in section 9.05(2) or (3) of this revenue procedure seeking recognition of exemption by being included in a new group application by the same central organization or a different central organization is as set forth in section 10.01 of this revenue procedure.

(4) *Organizations being added to a group exemption letter.* The effective date of exemption for any subordinate organization seeking recognition of exemption by being added back to the group exemption letter from which it was removed or by being added to a group exemption letter maintained by a different central organization is as set forth in section 10.02 of this revenue procedure.

(5) *Automatic revocation.* The effective date of exemption for an organization whose exemption was automatically revoked and that files an application for reinstatement is the effective date of the organization's reinstatement, determined in accordance with Rev. Proc. 2014-11. If the organization is subsequently included in a new group application as a subordinate organization or added to a group exemption letter as a subordinate organization, the organization's effective date of exemption will be determined pursuant to section 10.01 or 10.02 of this revenue procedure, as applicable.

SECTION 11. DECLARATORY JUDGMENT PROVISIONS OF § 7428

.01 *In general.* Section 10 of Rev. Proc. 2026-5 (or corresponding section(s) of its successor) generally explains when and how a declaratory judgment proceeding under § 7428 may be filed in the United States Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia.

.02 *Who must file.* An organization must file a declaratory judgment action under § 7428 on its own behalf. Thus, a subordinate organization must file a declaratory judgment action under § 7428 regarding an IRS determination affecting the subordinate organization's initial or continuing qualification or classification. (A central organization cannot file a declaratory judgment action under § 7428 on behalf of one or more of its subordinate organizations.) Similarly, a subordinate organization cannot file a declaratory judgment action under § 7428 on behalf of its central organization. For more information on

the application of § 7428, see section 10 of Rev. Proc. 2026-5 (or corresponding section(s) of its successor).

SECTION 12. APPLICABILITY

.01 *New group exemption letters.* This revenue procedure applies to group exemption letters applied for after January 20, 2026**.**

.02 *Preexisting group exemption letters.*

(1) *In general.* Except as otherwise provided in this section 12.02, this revenue procedure applies to:

(a) all central organizations with one or more preexisting group exemption letters;

(b) preexisting subordinate organizations; and

(c) subordinate organizations added to preexisting group exemption letters on or after the publication date.

(2) *Transition period for certain requirements applicable to preexisting group exemption letters and preexisting subordinate organizations.*

(a) *In general.* Certain provisions of this revenue procedure do not apply to preexisting group exemption letters and preexisting subordinate organizations during the period that begins on the publication date and ends on January 22, 2027 (transition period). The sections of this revenue procedure described in this section 12.02(2) do not apply to preexisting group exemption letters and preexisting subordinate organizations during the transition period:

(i) Section 4.01(2) of this revenue procedure, providing that a central organization must have at least one subordinate organization to maintain a group exemption letter;

(ii) Section 4.01(3) of this revenue procedure, providing that a central organization can maintain only one group exemption letter;

(iii) Section 4.02 of this revenue procedure, describing the central organization's relationship with its subordinate organizations, as it relates to the affiliation and general supervision or control requirements between a central organization and its preexisting subordinate organizations; and

(iv) Section 4.03(2)(a) of this revenue procedure, providing that all subordinate organizations initially included in a group application, or subsequently added to a group exemption letter must be described in the same paragraph of § 501(c).

(b) *Minimum number of subordinate organizations.* Before the end of the transition period, a central organization that has a preexisting group exemption letter but does not have at least one subordinate organization must either:

(i) add at least one subordinate organization to its group exemption letter in accordance with section 7.02(2)(a)(iv) of this revenue procedure, or

(ii) terminate the group exemption letter in accordance with section 8.01(2) of this revenue procedure.

(c) *More than one group exemption letter.* Before the end of the transition period, a central organization that maintains more than one preexisting group exemption letter must terminate either all or all but one of its preexisting group exemption letters. The central organization must choose which, if any, preexisting group exemption letter it intends to maintain. The central organization must provide the IRS copies of all its preexisting group exemption letters and terminate the preexisting group exemption letters it does not intend to maintain in accordance with section 8.01(2) of this revenue procedure.

(d) *Central organization's relationship with its subordinate organizations.* Before the end of the transition period, a central organization must ensure that each preexisting subordinate organization is affiliated with and subject to its general supervision or control, within the meaning of section 4.02(2) and (3) or 4.02(4) of this revenue procedure. If a central organization is unable to ensure that a preexisting subordinate organization is affiliated with and subject to its general supervision or control, it must remove the subordinate organization from the group exemption letter in accordance with section 8.02(2) of this revenue procedure.

(e) *Preexisting subordinate organizations described in different paragraphs of § 501(c).* Before the end of the transition period, a central organization that has a preexisting group exemption letter that includes preexisting subordinate organizations that are described in a paragraph of § 501(c) that is not the paragraph specified in the group application must remove the preexisting subordinate organizations that are not described in the paragraph of § 501(c) specified in the group application, in accordance with section 8.02(2) of this revenue procedure.

(f) *Timing of actions.* The actions required under this section 12.02(2) are accomplished through SGRI submissions and must be completed before the transition period ends on January 22, 2027.

(3) *Certain requirements not applicable to preexisting subordinate organizations.* The sections of this revenue procedure described in this section 12.02(3) do not apply to preexisting subordinate organizations:

(a) Section 4.03(2)(b) of this revenue procedure, regarding the requirement that subordinate organizations sharing the same purpose have a uniform purpose statement;

(b) Section 4.04(3) of this revenue procedure, providing that a Type III supporting organization cannot be a subordinate organization;

(c) Section 4.04(4) of this revenue procedure, providing that a qualified nonprofit health insurance issuer described in § 501(c)(29) cannot be a subordinate organization; and

(d) Section 4.06(2) of this revenue procedure, regarding the requirement that the authorization for initial inclusion in a group application, or subsequent addition to a group exemption letter, described in section 4.06(1) of this revenue procedure acknowledge that the central organization may remove the subordinate organization from the group exemption letter with or without cause.

.03 *Examples.* The application of this section 12 is illustrated by the following examples.

(1) *Example 1. Two preexisting group exemption letters for subordinate organizations described in different paragraphs of § 501(c).* Central organization B has two preexisting group exemption letters, one for subordinate organizations described in § 501(c)(3) and one for subordinate organizations described in § 501(c)(4). Under section 4.01(3) of this revenue procedure, a central organization may maintain only one preexisting group exemption letter. This requirement, however, does not apply until after the transition period (see section 12.02(2)(a)(ii) of this revenue procedure). Assuming B intends to maintain one of the two preexisting group exemption letters, before the end of the transition period B must identify the preexisting group exemption letter it intends to retain, provide copies of both group exemption letters to the IRS, and notify the IRS of the group exemption letter it will terminate. B (and not the IRS) is responsible for informing the sub-

ordinate organizations under the terminated group exemption letter that they may obtain recognition of exemption by taking an action described in section 9.05 of this revenue procedure (see section 9.02 of this revenue procedure, regarding the effect of termination).

(2) *Example 2. One preexisting group exemption letter with no subordinate organizations.* Central organization C has a single preexisting group exemption letter for subordinate organizations described in § 501(c)(3), but it currently does not have any subordinate organizations under the preexisting group exemption letter. Under section 4.01(2) of this revenue procedure, a central organization must have at least one subordinate organization to maintain a group exemption letter. This requirement, however, does not apply to preexisting group exemption letters until after the transition period (see section 12.02(2)(a)(i) of this revenue procedure). Before the end of the transition period, C must either add at least one subordinate organization described in § 501(c)(3) to the preexisting group exemption letter or notify the IRS that it will terminate the preexisting group exemption letter (see section 12.02(2)(b) of this revenue procedure). If C adds a subordinate organization to the preexisting group exemption letter, C must submit the SGRI described in section 7.02(3) of this revenue procedure before the end of the transition period. The subordinate organization that is added to the preexisting group exemption letter is not a preexisting subordinate organization. Accordingly, the requirements of section 4 of this revenue procedure (regarding the requirements to obtain and maintain a group exemption letter) apply, other than section 4.01 of this revenue procedure. In addition, because the subordinate organization that is added to the preexisting group exemption letter is not a preexisting subordinate organization, sections 12.02(2)(a)(iii) and (iv) and 12.02(3) of this revenue procedure do not apply.

(3) *Example 3. One preexisting group exemption letter with subordinate organizations described in different paragraphs of § 501(c).* Central organization D has a preexisting group exemption letter with multiple subordinate organizations. The group application D filed pursuant to Rev. Proc. 80-27 stated that the subordinate organizations would be described in § 501(c)(3). In addition to subordinate organizations described in § 501(c)(3), some of the subordinate organizations under the preexisting group exemption letter are described in § 501(c)(4). Under section 4.03(2)(a) of this revenue procedure, all subordinate organizations must be described in the same paragraph of § 501(c). Before the end of the transition period, D must remove the subordinate organizations described in § 501(c)(4), in accordance with the removal provision in section 8.02(2) of this revenue procedure.

(4) *Example 4. One preexisting group exemption letter with preexisting subordinate organizations described in the same paragraph of § 501(c).* Central organization E has a preexisting group exemption letter for subordinate organizations described in § 501(c)(3). The preexisting group exemption letter has more than one preexisting subordinate organization. E is not required to make any changes to the group exemption letter during the transition period provided it has at least one subordinate organization, all the subordinate organizations are described in the same paragraph of § 501(c), and E's relationship with its subordinate organizations, as it relates to the affiliation and general supervision or control requirements, satisfies the requirements of section 4.02 of this revenue procedure. The preexisting subordinate organizations are subject to the requirements of this revenue procedure except as set forth in section 12.02(3) of this revenue procedure. If E adds a subordinate organization to the preexisting group exemption letter after the publication date, E must submit the SGRI described in section 7.02(3) of this revenue procedure. The subordinate organization that is added to the preexisting group exemption letter is not a preexisting subordinate organization. Accordingly, the requirements in section 4 of this revenue procedure (regarding the requirements to obtain and maintain a group exemption letter) apply to the subordinate organization that is added to the preexisting group exemption letter, other than section 4.01 of this revenue procedure. Furthermore, because the subordinate organization that is added to the preexisting group exemption letter is not a preexisting subordinate organization, sections 12.02(2)(a)(iii) and (iv) and 12.02(3) of this revenue procedure do not apply.

(5) *Example 5. Removal of a preexisting subordinate organization from a preexisting group exemption letter.* Central organization F has a preexisting group exemption letter for subordinate organizations described in § 501(c)(3). There are multiple preexisting subordinate organizations under the preexisting group exemption letter. F removed one preexisting subordinate organization from the preexisting group exemption letter for failure to comply with one or more of the requirements of this revenue procedure. Under section 8.02(4) of this revenue procedure, the preexisting group exemption letter remains effective for all preexisting subordinate organizations that were not removed. Pursuant to section 9.05(2)(e) of this revenue procedure, the preexisting subordinate organization that was removed from the preexisting group exemption letter may obtain recognition of its exemption by being added back to the preexisting group exemption letter; however, if the preexisting subordinate organization was automatically revoked, it must be reinstated pursuant to Rev. Proc. 2014-11 first (see section 9.07 of this revenue procedure). If F adds the organization that was removed back to the preexisting group exemption letter, the organization that is added back to the preexisting group exemption letter is not a preexisting subordinate organization under the definition preexisting subordinate organization in section 3.10 of this revenue procedure. Accordingly, the requirements of section 4 of this revenue procedure (regarding the requirements to obtain and maintain a group exemption letter) apply to the organization that is added back to the preexisting group exemption letter, other than section 4.01 of this revenue procedure. Furthermore, because the organization that is added back to the preexisting group exemption letter is not a preexisting subordinate organization, sections 12.02(2)(a)(iii) and (iv) and 12.02(3) of this revenue procedure do not apply.

SECTION 13. PAPERWORK REDUCTION ACT

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) (PRA) generally requires that a Federal agency obtain the approval of the Office of Management and Budget (OMB) before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

The collections of information included in this revenue procedure are reporting and third-party disclosures in sections 6, 7, and 8 of this revenue procedure. The information in section 6 of this revenue procedure is required to be submitted by the central organization to obtain a group exemption letter. This information will be used to determine whether a central organization may obtain recognition of exemption from federal income tax on a group basis for organizations described in § 501(c) that are affiliated with and under its general supervision or control. The information in section 7 of this revenue procedure is required to be submitted by the central organization annually to maintain a group exemption letter. The information in section 8 of this revenue procedure is required for a central organization to inform the subsidiaries of a revocation by the IRS or the organization, and for a central organization to inform the IRS of a decision to revoke a group exemption. This information will be used to allow the IRS to maintain up to date records regarding group exemption letters and to ensure compliance with the requirements of this revenue procedure. The collections of information are required to obtain a benefit. The likely respondents are central organizations that are tax-exempt organizations and their authorized representatives.

The estimated annual frequency of responses (used for reporting requirements only) is once for group applications and annually for SGRI submissions. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by § 6103.

The collections contained in this revenue procedure have been submitted to the Office of Management and Budget for

approval in accordance with the 5 CFR 1320.10, under OMB Control Number 1545-0047.

SECTION 14. EFFECT ON OTHER REVENUE PROCEDURES

.01 Rev. Proc. 80-27 (as modified by Rev. Proc. 96-40) is modified and superseded.

.02 Section 2.02(1) of Rev. Proc. 2026-5 is modified to cite this revenue procedure in lieu of Rev. Proc. 80-27.

.03 Rev. Proc. 2026-5 is modified by deleting all provisions referring to the IRS not accepting requests for group exemption letters, including section 3.02(11) of Rev. Proc. 2026-5, and any internal references to section 3.02(11) of Rev. Proc. 2026-5

SECTION 15. EFFECTIVE DATE

This revenue procedure is effective on and after January 20, 2026.

SECTION 16. DRAFTING INFORMATION

The principal author of this revenue procedure is Seth J. Groman of the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). For further information regarding this revenue procedure contact Seth J. Groman on (202) 317-5640 (not a toll-free call).

Rev. Proc. 2026-9

SECTION 1. PURPOSE

This revenue procedure publishes the amounts of unused housing credit carryovers allocated to qualified states under § 42(h)(3)(D) of the Internal Revenue Code for calendar year 2025.

SECTION 2. BACKGROUND

Rev. Proc. 2019-45, 2019-48 I.R.B. 524, provides guidance to state housing credit agencies of qualified states on the procedure for requesting an allocation of unused housing credit carryovers under § 42(h)(3)(D). The amount of unused housing credit carryovers allocated to qualified states for a calendar year from a national pool of unused credit authority (the National Pool) is published by the Internal Revenue Service in the Internal Revenue Bulletin. This revenue procedure publishes these amounts for calendar year 2025.

SECTION 3. PROCEDURE

The unused housing credit carryover amount allocated from the National Pool by the Secretary to each qualified state for calendar year 2025 is as follows:

Qualified State	*Amount Allocated*
Alabama	312,546
Alaska	44,851
California	2,389,455
Connecticut	222,702
Delaware	63,744
Florida	1,416,309
Illinois	770,210
Iowa	196,428
Kentucky	278,046
Massachusetts	432,437
Michigan	614,491
Nebraska	121,527
New Mexico	129,089
New York	1,203,915
North Carolina	669,367
North Dakota	48,270
Pennsylvania	792,546
Rhode Island	67,404
South Dakota	56,033
Texas	1,896,161
Utah	212,312
Vermont	39,297
Virginia	533,941
Washington	482,250
West Virginia	107,257

Because of the timing of the publication of this revenue procedure, any amount of unused housing credit carryover published in this revenue procedure that a qualified state fails to allocate before the close of 2025 will not be considered in determining whether that state qualifies for an allocation of unused housing credit carryover for calendar year 2026.

EFFECTIVE DATE

This revenue procedure is effective for allocations of housing credit dollar amounts attributable to the National Pool component of a qualified state's housing credit ceiling for calendar year 2025.

DRAFTING INFORMATION

The principal author of this revenue procedure is Waheed Olayan of the Office of Associate Chief Counsel (Energy, Credits and Excise Tax). For further information regarding this revenue procedure, contact Mr. Olayan at (202) 317-6239 (not a toll-free number).

Section 42 - Low-Income Housing Credit.

26 CFR 1.42-14. Allocation rules for post-1989 State housing credit ceiling amounts.

Guidance is provided to state housing credit agencies of qualified states that request an allocation of unused housing credit carryover under section 42(h)(3)(D) of the Internal Revenue Code. See Rev. Proc. 2024-41.

26 CFR 601.201: Rulings and determination letters (Also: Part 1, §§ 1295; 1.1295-3)

Rev. Proc. 2026-10

SECTION 1. PURPOSE

.01 *In General*.

This revenue procedure provides additional guidance on the process for requesting private letter rulings from the Internal Revenue Service (IRS), as generally set forth in Rev. Proc. 2026-1, 2026-1 I.R.B. 1, for consent to make retroactive qualified electing fund (QEF) elections under section 1295(b) of the Internal Revenue Code (Code) and Treas. Reg. § 1.1295-3(f).

Establishing whether a shareholder of a passive foreign investment company (PFIC) meets the requirements for making a retroactive QEF election and determining the correct user fee can be involved and fact intensive. In some cases, PFIC shareholders have submitted retroactive QEF election ruling requests that do not meet the requirements, contain incomplete information, are accompanied by incorrect user fees, or for which they are unable to provide additional information requested by the IRS that is necessary to determine whether the retroactive QEF election is available. These issues may prolong the ruling request process and increase the burden on both taxpayers and the IRS.

This revenue procedure is intended to improve the retroactive QEF election ruling process by explaining the requirements for ruling eligibility, addressing common issues that arise with user fees in this context, and detailing the post-submission process, including the determination of whether granting consent would prejudice the interests of the United States government under Treas. Reg. § 1.1295-3(f)(3).

.02 *References*. As the context requires, references to Rev. Proc. 2026-1 include successor revenue procedures.

SECTION 2. BACKGROUND

.01 *QEF Elections*.

Generally, a foreign corporation is a PFIC under section 1297 for a taxable year if the foreign corporation satisfies either the income or asset test of section 1297(a) for that year. A foreign corporation is a PFIC under the income test if 75 percent or more of its gross income for its taxable year is passive income. Alternatively, under the asset test, a foreign corporation is a PFIC if 50 percent or more of its assets, measured by average annual value or adjusted bases (as determined pursuant to Treas. Reg. § 1.1297-1(d)), during its taxable year are assets that produce, or are held for the production of, passive income.

Pursuant to section 1291, certain distributions by a PFIC and gains recognized on dispositions of its stock included in the income of the PFIC shareholder generally are subject to ordinary income treatment and an interest charge (excess distribution rules). A PFIC shareholder may avoid the excess distribution rules by making a timely election under section 1295 to treat a PFIC as a QEF (a QEF election), in which case the PFIC shareholder will take into account annually its pro rata share of the ordinary earnings and net capital gain of the PFIC under section 1293.

Under section 1295(a), a PFIC will be treated as a QEF with respect to a PFIC shareholder if the shareholder makes a QEF election and the PFIC complies with the requirements prescribed by the Secretary for purposes of (i) determining the ordinary earnings and net capital gain of the PFIC and (ii) otherwise carrying out the purpose of the PFIC provisions. Section 1295(b)(1) provides that a PFIC shareholder may make a QEF election with respect to a PFIC for any taxable year of the PFIC shareholder. Once made, the election will apply to that year and to all subsequent years of the PFIC shareholder unless revoked with the consent of the Secretary. Section 1295(b)(2) prescribes the time for making the election. In general, for the QEF election to be applicable to a taxable year, the PFIC shareholder must make the election by the due date, as extended under section 6081, for the PFIC shareholder's return for that taxable year (election due date).

If a PFIC shareholder makes a QEF election that is effective the first taxable year in which the PFIC shareholder held stock in that PFIC, the PFIC shareholder is not subject to the excess distribution rules with respect to the PFIC (such QEF, a pedigreed QEF). Further, a pedigreed QEF with respect to a PFIC shareholder

will not be treated as a QEF for any taxable year in which the foreign corporation is not a PFIC under section 1297(a), and the PFIC shareholder is not required to take into account under section 1293 its pro rata share of the foreign corporation's ordinary earnings and net capital gain for such year or to satisfy the section 1295 annual reporting requirements for such year. However, if a PFIC shareholder makes a QEF election for any year after the first taxable year in which the foreign corporation was a PFIC with respect to the shareholder, then that stock continues to be treated as PFIC stock under section 1298(b)(1) (often referred to as the "once a PFIC, always a PFIC" rule), and the PFIC shareholder continues to be subject to the excess distribution rules in addition to the QEF rules after the PFIC shareholder makes the QEF election (such QEF, an unpedigreed QEF). Under Treas. Reg. §§ 1.1291-9 and 1.1291-10, a PFIC shareholder may purge the PFIC taint in this circumstance and make the PFIC a pedigreed QEF with respect to the PFIC shareholder by electing to recognize gain on a deemed sale of its PFIC stock or, in the case of a PFIC that is also a controlled foreign corporation (as defined in section 957(a)), electing to recognize a deemed dividend from the PFIC, while simultaneously making a QEF election.

Under Treas. Reg. § 1.1295-1(f)(1), a PFIC shareholder makes a QEF election by: (i) properly completing a Form 8621, *Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund*; (ii) attaching Form 8621 to its Federal income tax return filed by the election due date for the PFIC shareholder's election year; and (iii) receiving, and reflecting in Form 8621, the information provided in the PFIC Annual Information Statement described in Treas. Reg. § 1.1295-1(g)(1), the Annual Intermediary Statement described in Treas. Reg. § 1.1295-1(g)(3), or the applicable combined statement described in Treas. Reg. § 1.1295-1(g)(4) (a Combined Statement) for the taxable year of the PFIC ending with or within the taxable year for which Form 8621 is being filed. Further, if the PFIC Annual Information Statement contains a statement that the foreign corporation has permitted the PFIC shareholder to examine the books of account, records, and other documents of the foreign corporation for the PFIC shareholder to calculate the amounts of the PFIC's ordinary earnings and net capital gain according to Federal income tax accounting principles and to calculate the PFIC shareholder's pro rata shares of those amounts (as described in Treas. Reg. § 1.1295-1(g)(1)(ii)(C)), the PFIC shareholder must attach a statement to Form 8621 that indicates that the PFIC shareholder, not the PFIC, calculated the PFIC's ordinary earnings and net capital gain.

.02 *Retroactive QEF Elections*.

Section 1295(b)(2) provides that, to the extent permitted under regulations, a PFIC shareholder may make a QEF election for a taxable year after the election due date (retroactive QEF election) if the PFIC shareholder fails to make a timely election because the PFIC shareholder reasonably believed that the foreign corporation was not a PFIC. Thus, if eligible, a PFIC shareholder may make a QEF election retroactive to the first taxable year in which that PFIC shareholder held stock of that PFIC and, as a result, the PFIC would be a pedigreed QEF with respect to the PFIC shareholder.

Treas. Reg. § 1.1295-3 provides two sets of rules for making a retroactive QEF election, which are the exclusive rules under which a PFIC shareholder may make a retroactive QEF election. Relief for failure to make a timely QEF election is therefore not available under any other provision of law, including under Treas. Reg. §§ 301.9100-1 through -3.

Under the first set of rules, as provided under Treas. Reg. § 1.1295-3(b) (protective regime), to make a retroactive QEF election, a PFIC shareholder must have: (i) reasonably believed, as of the election due date, that the foreign corporation was not a PFIC for its taxable year that ended during the retroactive election year; (ii) filed a protective statement applicable to the retroactive election year with respect to the foreign corporation as described in Treas. Reg. § 1.1295-3(b)(2); and (iii) complied with the other terms and conditions of the protective statement. Treas. Reg. § 1.1295-3(e) provides special rules for certain minority PFIC shareholders to meet the reasonable belief requirement under Treas. Reg. § 1.1295-3(b)(1).

Under the second set of rules, as provided under Treas. Reg. § 1.1295-3(f), a PFIC shareholder that has not satisfied the requirements of the protective regime under Treas. Reg. § 1.1295-3(b) or (e) may request consent of the Commissioner to make a retroactive QEF election. Under Treas. Reg. § 1.1295-3(f)(1), the Commissioner will grant relief only if (i) the PFIC shareholder reasonably relied on a qualified tax professional, (ii) granting consent will not prejudice the interests of the United States government (*see* section 4.02(3) of this revenue procedure), (iii) the PFIC shareholder requests consent before the IRS raises upon audit the PFIC status of the corporation for any taxable year of the PFIC shareholder, and (iv) the PFIC shareholder satisfies certain procedural requirements for obtaining relief.

Treas. Reg. § 1.1295-3(f)(2) sets forth rules for determining whether a PFIC shareholder reasonably relied on a qualified tax professional, including that a PFIC shareholder is deemed to have reasonably relied on a qualified tax professional only if the PFIC shareholder reasonably relied on a qualified tax professional (including a tax professional employee of the PFIC shareholder) who failed to identify the foreign corporation as a PFIC or failed to advise the PFIC shareholder of the consequences of making, or failing to make, a QEF election. *See* section 4.02(2)(e) of this revenue procedure for more detail regarding the statement of facts that a PFIC shareholder must provide in connection with these rules.

.03 *Requesting IRS Consent to Make a Retroactive QEF Election*.

Treas. Reg. § 1.1295-3(f)(4) provides that a PFIC shareholder requests consent to make a retroactive QEF election by filing a ruling request with the Office of Associate Chief Counsel (International) (retroactive QEF election ruling request). The retroactive QEF election ruling request must satisfy the general requirements, including payment of the user fee, for ruling requests filed with Associate offices as set forth in Rev. Proc. 2026-1.

The retroactive QEF election ruling request must include certain affidavits. Under Treas. Reg. § 1.1295-3(f)(4)(ii), the ruling request must include a detailed affidavit from the PFIC shareholder, or a person authorized to sign a Federal

income tax return on behalf of the PFIC shareholder, describing the events that led to the failure to make a QEF election by the election due date, and the discovery of that failure. The PFIC shareholder's affidavit must describe the engagement and responsibilities of the qualified tax professional as well as the extent to which the PFIC shareholder relied on the tax professional. The PFIC shareholder, or the individual signing for an entity, must sign the affidavit under penalties of perjury. An individual that signs for an entity must have personal knowledge of the facts and circumstances at issue.

The retroactive QEF election ruling request must also include detailed affidavits from individuals having knowledge or information about the events that led to the failure to make a QEF election by the election due date and to the discovery of that failure. *See* Treas. Reg. § 1.1295-3(f)(4)(iii). These individuals must include the qualified tax professional upon whose advice the PFIC shareholder relied, as well as any individual (including an employee of the PFIC shareholder) who made a substantial contribution to the return's preparation, and any accountant or attorney, knowledgeable in tax matters, who advised the PFIC shareholder regarding its ownership of the stock of the foreign corporation. Each affidavit must describe the individual's engagement and responsibilities as well as the advice concerning the tax treatment of the foreign corporation that the individual provided to the PFIC shareholder. Each affidavit also must include the individual's name, address, and taxpayer identification number, and must be signed by the individual under penalties of perjury.

The PFIC shareholder must provide any additional information requested by the Commissioner in connection with the retroactive QEF election ruling request. *See* Treas. Reg. § 1.1295-3(f)(4)(iv). The PFIC shareholder is also required to notify the branch of the Office of Associate Chief Counsel (International) handling the request if, while the request is pending, the IRS begins an examination of the PFIC shareholder's return for the retroactive election year or any subsequent taxable year during which the PFIC shareholder holds stock of the foreign corporation. *See* Treas. Reg. § 1.1295-3(f)(4)(v).

SECTION 3. INFORMAL PRE-FILING CONSULTATIONS WITH THE OFFICE OF ASSOCIATE CHIEF COUNSEL (INTERNATIONAL)

In the interest of making the retroactive QEF election ruling request process more effective and efficient, the Office of Associate Chief Counsel (International) invites PFIC shareholders and their representatives to contact the Office of Associate Chief Counsel (International) for an informal consultation in connection with determining whether to file a request. The consultation may include procedural or substantive issues. Statements or representations made by the Office of Associate Chief Counsel (International) in an informal consultation are not binding on the IRS. The requirements set forth in section 10 of Rev. Proc. 2026-1 with respect to conferences and pre-submission conferences do not apply to informal consultations under section 3 of this revenue procedure. Inquiries and informal consultation requests may be sent to *CC.INTL.RetroQEF.PLR@irscounsel.treas.gov* or made to the Office of Associate Chief Counsel (International) by phone at (202) 317-6934 (not a toll-free call).

Conferences and pre-submission conferences described in section 10 of Rev. Proc. 2026-1 remain available to PFIC shareholders.

SECTION 4. PROCEDURES FOR FILING RETROACTIVE QEF ELECTION RULING REQUESTS

.01 *General.* This section sets forth certain procedures, rules, and guidelines relevant to filing a request for consent to make a retroactive QEF election. A checklist summarizing the requirements is provided in the Appendix.

.02 *Procedures.*

(1) *User fees.*

(a) *General rules.* All retroactive QEF election ruling requests must be accompanied by the appropriate user fee as determined from the fee schedule provided in Appendix A to Rev. Proc. 2026-1. *See* section 15.02 of Rev. Proc. 2026-1. If a request is not matched with full payment, the IRS will exercise discretion in deciding whether to immediately return the request. *See* section 15.09 of Rev. Proc. 2026-1.

In general, the user fee amount provided in paragraph (A)(3)(c)(ii) of Appendix A to Rev. Proc. 2026-1 ("[a]ll other letter ruling requests" not otherwise identified in paragraph (A)(3) of Appendix A) applies to a retroactive QEF election ruling request. *See* section 4.02(1)(b) of this revenue procedure for the availability of reduced user fees in certain cases. The user fee amount provided in paragraph (A)(3)(c)(i) of Appendix A to Rev. Proc. 2026-1 (user fee for ruling requests for relief under Treas. Reg. § 301.9100-3 or section 1362(b)(5)) does not apply to a retroactive QEF election ruling request.

A separate user fee is required for each PFIC for which a PFIC shareholder is seeking consent to make a retroactive QEF election. *See* Treas. Reg. § 1.1295-3(f)(4). For example, if a PFIC shareholder requests letter rulings for consent to make retroactive QEF elections with respect to three PFICs in a single submission, such submission must be accompanied by payment of three separate user fees as provided in Appendix A to Rev. Proc. 2026-1. As described in section 4.02(1)(b) of this revenue procedure, reduced user fees may be available to PFIC shareholders in some cases, and a PFIC shareholder may generally pay the lowest user fee available to such PFIC shareholder as provided in Appendix A to Rev. Proc. 2026-1.

(b) *Reduced user fees*.

(i) *Substantially identical letter ruling requests*.

A PFIC shareholder requesting multiple retroactive QEF election rulings may qualify for reduced user fees as provided in paragraph (A)(5)(a) of Appendix A to Rev. Proc. 2026-1 if the requests are for substantially identical rulings. *Cf.* section 15.07 of Rev. Proc. 2026-1. To qualify for this reduced user fee, all information and underlying documents must be substantially identical and all letter ruling requests must be submitted at the same time in a single submission. In addition, the submission must state that the letter ruling requests, all information, and underlying documents are substantially identical, and must specifically identify the extent to which the letter ruling requests, information, and underlying documents are not identical. The IRS will generally treat additional retroactive QEF election ruling requests in a single

submission regarding multiple PFICs as substantially identical rulings if the facts and circumstances that led to the failure to make the elections and the discovery of such failure are substantially similar, even though the stock of each PFIC may have been acquired by the PFIC shareholder in different years and the calculations of the PFIC shareholder's potential QEF inclusion amounts under section 1293(a) for each PFIC may be different. For this purpose, the IRS generally will treat the fact that a tax advisor contemporaneously discovered the PFIC status of multiple foreign corporations owned by a PFIC shareholder as evidencing that the failures to make QEF elections and the discovery of such failures are based on substantially similar facts and circumstances.

Example. At different times, a taxpayer purchased stock in three foreign corporations that are PFICs (FC1, FC2, and FC3) and relied on a tax advisor who failed to identify the foreign corporations as PFICs. After the PFIC shareholder hired a new tax advisor, the new tax advisor discovered contemporaneously that each of FC1, FC2, and FC3 qualify as PFICs. Because the new tax advisor discovered that all three foreign corporations are PFICs contemporaneously, if (1) the PFIC shareholder otherwise meets the requirements to submit retroactive QEF election ruling requests and (2) the PFIC shareholder makes a single, simultaneous submission with respect to all three PFICs, then the PFIC shareholder must pay the full user fee for the first ruling with respect to FC1 (to treat FC1 as a QEF) as provided in paragraph (A)(3)(ii) of Appendix A to Rev. Proc. 2026-1 (assuming paragraph (A)(4)(a) and (b) of Appendix A to Rev. Proc. 2026-1 do not apply; *see* section 4.02(1)(b)(ii) of this revenue procedure) and is eligible to pay the reduced user fees for substantially identical rulings with respect to each of FC2 and FC3.

(ii) *Reduced user fees based on gross income*. Reduced user fees may apply if a PFIC shareholder's "gross income" (as determined under paragraphs (B)(2), (3), (4), and (5) of Appendix A to Rev. Proc. 2026-1) as reported on the PFIC shareholder's last Federal income tax return (as amended) filed for a full (12-month) taxable year ending before the date the request is filed is less than certain amounts. Two different reduced user fee amounts are available depending on the PFIC shareholder's gross income. *See* paragraph (A)(4)(a) and (b) of Appendix A to Rev. Proc. 2026-1. PFIC shareholders seeking a reduced user fee based on their gross income must attach a certification as provided in paragraph (B)(1) of Appendix A to Rev. Proc. 2026-1.

(iii) *Lowest available user fee*. A PFIC shareholder may generally pay the lowest user fee available to the PFIC shareholder as provided in Appendix A to Rev. Proc. 2026-1.

Example. On June 30, 2026, a PFIC shareholder requests letter rulings for consent to make retroactive QEF elections with respect to four PFICs in a single, simultaneous submission. The PFIC shareholder is eligible to pay reduced user fees either for substantially identical letter rulings as provided in paragraph (A)(5)(a) of Appendix A to Rev. Proc. 2026-1 with respect to three PFICs or based on the PFIC shareholder's gross income as provided in paragraph (A)(4)(a) of Appendix A to Rev. Proc. 2026-1 with respect to all four PFICs. On June 30, 2026, the PFIC shareholder's total user fee amount for substantially identical letter ruling requests would be $16,560 (the reduced user fee of $3,450 based on gross income with respect to the first PFIC and the substantially identical letter ruling request user fee of $4,370 with respect to the remaining three PFICs). On June 30, 2026, the PFIC shareholder's total user fee amount for four separate ruling requests based on the PFIC shareholder's gross income would be $13,800 (the reduced user fee of $3,450 based on gross income with respect to all four PFICs). The PFIC shareholder can choose to treat the four ruling requests as separate, not substantially identical, and pay $13,800, the lowest user fee amount available to such PFIC shareholder. Nonetheless, only one submission that recites all the relevant facts and representations with respect to all four PFICs is necessary. *See* Appendix A to Rev. Proc. 2026-1.

(c) *User fee rate codes*.

Separate user fee rate codes for retroactive QEF election ruling requests are available when PFIC shareholders are submitting the user fee payments through *www.pay.gov*. PFIC shareholders may select from the following user fee rate codes for their retroactive QEF election ruling requests.

User fee rate code	Description
PLRRRQ	The full user fee for a retroactive QEF election ruling
PLRRRQR	The reduced user fee based on gross income as provided in paragraph (A)(4)(a) of Appendix A to Rev. Proc. 2026-1
PLRRRQR1M	The reduced user fee based on gross income as provided in paragraph (A)(4)(b) of Appendix A to Rev. Proc. 2026-1
PLRRRQM	The reduced user fee for a substantially identical ruling as provided in paragraph (A)(5)(a) of Appendix A to Rev. Proc. 2026-1

A retroactive QEF election ruling request must include a statement indicating the relevant user fee rate codes on the first page of the submission. If the submission is accompanied by reduced user fees as provided in paragraph (A)(4)(a) or (b), or (5)(a) of Appendix A to Rev. Proc. 2026-1, the statement or certification must explain why the submission qualifies for the reduced user fees.

(2) *Items to include with retroactive QEF election ruling submission.* With respect to each PFIC in a retroactive QEF election ruling submission, a PFIC shareholder must include the following documents and information:

(a) a statement listing the dates on which the PFIC shareholder acquired each interest in the foreign corporation, the PFIC shareholder's ownership percentage of the foreign corporation

immediately after acquiring each interest, and the first taxable year of the foreign corporation ending with or within a taxable year of the PFIC shareholder for which the retroactive QEF election is requested to be in effect;

(b) PFIC Annual Information Statements (or Intermediary Statements or Combined Statements, as applicable) for each taxable year of the PFIC ending with or within a taxable year of the PFIC shareholder for which the retroactive QEF election is requested to be in effect, if available;

(c) a detailed affidavit from the PFIC shareholder, or a person authorized to sign a Federal income tax return on behalf of the PFIC shareholder, meeting the requirements of Treas. Reg. § 1.1295-3(f)(4)(ii);

(d) detailed affidavits from other persons prescribed by and meeting the requirements of Treas. Reg. § 1.1295-3(f)(4)(iii), including the qualified tax professional upon whose advice the PFIC shareholder relied, as well as any individual (including an employee of the PFIC shareholder) who made a substantial contribution to the return's preparation, and any accountant or attorney, knowledgeable in tax matters, who advised the PFIC shareholder with regard to their ownership of the stock of the foreign corporation. The IRS may in its discretion deem the requirement to obtain such an affidavit satisfied in certain situations in which the PFIC shareholder has exhausted all reasonable means to obtain such affidavit and the affidavit is unavailable, such as a PFIC shareholder that is unable to obtain an affidavit from a qualified tax professional upon whose advice the PFIC shareholder relied because the qualified tax professional is deceased and their records are unavailable. A PFIC shareholder that is unable to obtain such an affidavit is strongly encouraged to seek informal consultation with the Office of Associate Chief Counsel (International) before filing the ruling request as described in section 3 of this revenue procedure.

(e) a statement of facts (including any supporting documentation) demonstrating that in preparing their income tax return for the taxable year with respect to which the PFIC shareholder is requesting consent to make a retroactive QEF election—

  (i) the PFIC shareholder reasonably relied on a qualified tax professional (including a tax professional employed by the PFIC shareholder) and—

    1. the tax professional failed to identify the foreign corporation as a PFIC or failed to advise the PFIC shareholder of the consequences of making, or failing to make, the QEF election; and

    2. the PFIC shareholder did not know and did not have reason to know that the qualified tax professional was not competent to render tax advice with respect to the ownership of shares of a foreign corporation or did not have access to all relevant facts and circumstances;

  (ii) the PFIC shareholder did not ignore the advice of a qualified tax professional that the foreign corporation was a PFIC and of the availability of the QEF election and related tax consequences; and

  (iii) the PFIC shareholder otherwise did not know or have reason to know that the foreign corporation was a PFIC and of the availability of a QEF election; and

(f) a representation that, as of the time of the filing of the retroactive QEF election ruling request, a representative of the IRS has not raised on audit the PFIC status of the foreign corporation for any taxable year of the PFIC shareholder.

(3) *Post-submission process and prejudice determination.* Upon receipt of a PFIC shareholder's retroactive QEF election ruling submission with the correct user fee (*see* section 4.02(1) of this revenue procedure), the IRS will conduct a technical review to determine whether such PFIC shareholder satisfies the requirements of Treas. Reg. § 1.1295-3(f). An important determination in this review is whether granting consent would prejudice the interests of the United States government under Treas. Reg. § 1.1295-3(f)(3).

Except as otherwise provided in Treas. Reg. § 1.1295-3(f)(3)(ii) (entry into a closing agreement to eliminate prejudice), consent for a retroactive QEF election will not be granted if it would prejudice the interests of the United States government. Under Treas. Reg. § 1.1295-3(f)(3)(i), the interests of the United States government are prejudiced if granting relief would result in the PFIC shareholder having a lower tax liability, taking into account applicable interest charges, in the aggregate for all years affected by the retroactive QEF election (other than by a de minimis amount) than the PFIC shareholder would have had if the PFIC shareholder had made a QEF election by the election due date. The time value of money is taken into account for purposes of this computation.

In determining whether a retroactive QEF election will prejudice the interests of the United States government, the IRS will generally rely on the PFIC Annual Information Statements (or Intermediary Statements or Combined Statements, as applicable) for each taxable year of the PFIC ending with or within a taxable year of the PFIC shareholder for which the retroactive QEF election is requested to be in effect that are provided by the PFIC shareholder with the submission. If PFIC Annual Information Statements (or Intermediary Statements or Combined Statements, as applicable) are not available or do not provide sufficient information for one or more taxable years of the PFIC ending with or within a taxable year of the PFIC shareholder for which the retroactive QEF election is requested to be in effect, the PFIC shareholder must provide other information (including any supporting documentation) sufficient to demonstrate that granting relief would not prejudice the interests of the United States government.

In all cases, regardless of whether PFIC Annual Information Statements (or Intermediary Statements or Combined Statements, as applicable) are available, the prejudice determination requires PFIC shareholders to provide information sufficient for the IRS to: (1) review the accuracy of the PFIC shareholder's proposed QEF inclusion calculation under section

1293(a) for all years that would be covered by the election; and (2) accurately compute the PFIC shareholder's tax liability for such years if a QEF election had been timely made. In order to complete its determination, the IRS generally will issue one or more prejudice determination information requests to the PFIC shareholder setting forth information to be provided by the PFIC shareholder to the IRS.

(4) *Prejudice determination information requests.* Section 4.02(5) of this revenue procedure provides a sample information list containing items that the IRS will typically request to establish that a retroactive QEF election would not prejudice the interests of the United States government under Treas. Reg. § 1.1295-3(f)(3). Information requests may also include any other information the IRS requests pursuant to Treas. Reg. § 1.1295-3(f)(4)(iv).

PFIC shareholders should provide this information only upon IRS request and do not need to include such information with the submission of a retroactive QEF election ruling request because the information requested by the IRS may vary depending on the facts and circumstances of the ruling request. All information provided pursuant to such an IRS request must comply with the requirements of section 8.05 of Rev. Proc. 2026-1, including the requirement to submit such information within 21 days from the date of the request unless an extension of time is granted. Accordingly, the IRS strongly encourages PFIC shareholders to review the items in the sample information list prior to submitting a retroactive QEF election ruling request and be prepared to respond to similar requests.

(5) *Sample information list.* Information that the IRS typically requests for each PFIC for which a retroactive QEF election ruling request is made to establish whether granting consent would prejudice the interests of the United States government includes the items listed in paragraphs (a) through (e) of this section 4.02(5). Responses should generally be accompanied by supporting documentation demonstrating that the information provided is true, correct, and complete in all respects, which documentation may include audited financial statements of the PFIC for each taxable year of the PFIC ending with or within a taxable year of the PFIC shareholder for which the retroactive QEF election is requested to be in effect.

(a) Ownership and PFIC status. For each taxable year of the foreign corporation ending with or within a taxable year of the PFIC shareholder for which the retroactive QEF election is requested to be in effect, confirmation (including supporting computations) whether the foreign corporation qualified or did not qualify as a PFIC under section 1297(a).

(b) Computations in absence of PFIC Annual Information Statement (or Intermediary Statement or Combined Statement, as applicable). For each taxable year of the PFIC ending with or within a taxable year of the PFIC shareholder for which the retroactive QEF election is requested to be in effect and for which a PFIC Annual Information Statement (or Intermediary Statement or Combined Statement, as applicable) either is not available or does not provide sufficient information to calculate the PFIC shareholder's pro rata share of the PFIC's ordinary earnings and net capital gain:
  (i) Earnings and profits computations of the PFIC as described in section 1293(e)(3) that include any amounts that, when distributed, can be excluded from the PFIC shareholder's gross income under section 1293(c). If these amounts have not been calculated by the PFIC, the IRS may in its discretion permit reliance on a PFIC shareholder's computations of these amounts based on the PFIC's audited financial statements. An example of the general process to compute earnings and profits of a foreign corporation using audited financial statements is the current year earnings and profits calculation for foreign corporations on Schedule H of Form 5471.
  (ii) Net capital gain computations of the PFIC.

(c) Distributions from the PFIC. For each taxable year of the PFIC shareholder for which the retroactive QEF election is requested to be in effect, the amount of cash and the fair market value of any property distributed or deemed distributed by the foreign corporation to the shareholder.

(d) Income inclusions.
  (i) A detailed description of any income with respect to the PFIC previously reported on the PFIC shareholder's tax returns, whether recognized under section 1291 or otherwise. The description should include details such as: the taxable year of the income inclusion, the amount of the income inclusion, the character of the income inclusion, a general accounting description of the type of income, and confirmation whether such income was recognized under section 1291(a).
  (ii) A detailed description of any income with respect to the PFIC that was not previously reported on the PFIC shareholder's tax returns. The description should include details such as: the taxable year in which the income was realized, the amount of the income, character of the income, a general accounting description of the type of income, and an explanation of why the income was not reported.

(e) Computations of the PFIC shareholder's potential QEF income inclusions under section 1293(a) or draft amended tax returns reflecting the potential QEF income inclusions and associated tax liability with respect to the PFIC for each taxable year of the PFIC shareholder for which the retroactive QEF election is requested to be in effect in which the PFIC shareholder would have QEF inclusions under section 1293(a) if the request were granted.

Examples.

Example 1. Sufficient financial statement data. A PFIC and a PFIC shareholder both have calendar taxable years. The PFIC shareholder acquired stock of the PFIC in tax year 1 and did not make a timely QEF election with respect to the PFIC. In tax year 4, after the PFIC shareholder has already filed their return for tax year 3, the PFIC shareholder submits a ruling request to make a retroactive QEF election pursuant to Treas.

Reg. § 1.1295-3(f), effective in tax year 1. The PFIC shareholder includes a PFIC Annual Information Statement from the PFIC for tax year 3 with its submission and the PFIC Annual Information Statement provides sufficient information to calculate the PFIC shareholder's pro rata share of the PFIC's ordinary earnings and net capital gain for tax year 3. However, PFIC Annual Information Statements are not available for each of tax years 1 and 2. In response to a subsequent IRS prejudice determination information request, the PFIC shareholder provides the PFIC's audited financial statements for each of tax years 1 and 2 that are sufficient to calculate the PFIC shareholder's pro rata share of the PFIC's ordinary earnings and net capital gain. The unavailability of PFIC Annual Information Statements for each of tax years 1 and 2 will not cause the PFIC shareholder to be ineligible to make a retroactive QEF election effective in tax year 1.

Example 2. *Insufficient financial statement data.* The facts are the same as example 1, except that the PFIC's audited financial statements for each of tax years 1 and 2 are not sufficient to calculate the PFIC shareholder's pro rata share of the PFIC's ordinary earnings and net capital gain for each of tax years 1 and 2. Therefore, the PFIC shareholder is not eligible to make a retroactive QEF election effective in tax year 1 or tax year 2. The PFIC shareholder may be eligible to make a retroactive QEF election effective in tax year 3, though such an election would result in an unpedigreed QEF unless accompanied by a deemed sale or deemed dividend election pursuant to Treas. Reg. §§ 1.1291-9 or 1.1291-10.

SECTION 5. EFFECTIVE DATE

This revenue procedure is effective for all ruling requests received on or after January 20, 2026.

SECTION 6. PAPERWORK REDUCTION ACT

The Paperwork Reduction Act of 1995 (44 U.S.C. §§ 3501-3520) generally requires that a Federal agency obtain the approval of the Office of Management and Budget (OMB) before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the OMB.

This revenue procedure mentions the collections of information in Treas. Reg. § 1.1295-3 and Rev. Proc. 2026-1. The collections of information in Treas. Reg. § 1.1295-3 and Rev. Proc. 2026-1 have been reviewed and approved by the OMB under control numbers 1545-1555 and 1545-1522, respectively. This revenue procedure does not change or create new collection requirements not already approved by the OMB.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue tax law. Generally, tax returns and tax return information are confidential, as required by section 6103.

SECTION 7. DRAFTING INFORMATION

The principal authors of this revenue procedure are Alfred H. Bae and Jee Hyun Park of the Office of Associate Chief Counsel (International). For further information regarding this revenue procedure contact Mr. Bae or Ms. Park at (202) 317-6934 (not a toll-free call).

APPENDIX
CHECKLIST FOR RETROACTIVE QEF RULING REQUESTS

User Fees

- ☐ A separate user fee for each PFIC for which the PFIC shareholder seeks consent to file a retroactive QEF election.
  - (a) General User Fee (Section 4.02(1)(a) of this revenue procedure, *see also* paragraph (A)(3)(c)(ii) of Appendix A to Rev. Proc. 2026-1)
  - (b) Reduced User Fees (Section 4.02(1)(b) of this revenue procedure)
  - (i) Substantially identical letter ruling requests (*see also* paragraph (A)(5)(a) of Appendix A to Rev. Proc. 2026-1)
  - (ii) Reduced user fees based on gross income (*see also* paragraph (A)(4)(a) and (b) of Appendix A to Rev. Proc. 2026-1)
  - (iii) Lowest available user fee (*see also* Appendix A to Rev. Proc. 2026-1)
- ☐ A ruling request must include a statement indicating the relevant user fees with respect to each PFIC on the first page of the submission, including, as applicable, a description of why the submission qualifies for reduced user fees.

Items to include with retroactive QEF election ruling submission

- ☐ A statement listing the dates on which the PFIC shareholder acquired each interest in the PFIC and the PFIC shareholder's ownership percentage of the PFIC after acquiring each interest (Section 4.02(2)(a) of this revenue procedure)
- ☐ PFIC Annual Information Statements (or Intermediary Statements or Combined Statements) (Section 4.02(2)(b) of this revenue procedure)
- ☐ A detailed affidavit from the PFIC shareholder, or a person authorized to sign a Federal income tax return on behalf of the PFIC shareholder, meeting the requirements of Treas. Reg. § 1.1295-3(f)(4)(ii)
- ☐ Detailed affidavits from other persons (as described in Section 4.02(2)(d) of this revenue procedure)
- ☐ A statement of facts and supporting documentation (as described in Section 4.02(2)(e) of this revenue procedure)
- ☐ A representation that the PFIC status of the corporation has not been raised on audit (Section 4.02(2)(f) of this revenue procedure)

Part IV

Claims under § 6435 for Tax Paid on Dyed Fuel

Announcement 2026-1

This announcement provides important information for interested taxpayers and potential claimants regarding claims under § 6435 of the Internal Revenue Code (Code) for tax paid on dyed fuel.[1]

SECTION 1. BACKGROUND

Section 70525 of Public Law 119-21, 139 Stat. 282 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), added § 6435 to the Code to allow recovery of the amount of § 4081 tax previously paid on diesel fuel and kerosene that later qualifies as eligible indelibly dyed diesel fuel or kerosene (dyed fuel) exempt from § 4081 tax under § 4082(a).

More specifically, § 6435 allows a person to claim a payment (without interest) equal to the amount of § 4081 tax paid with respect to dyed fuel if the person establishes to the satisfaction of the Secretary of the Treasury or the Secretary's delegate that: (i) the person removed the dyed fuel from a terminal; (ii) tax was previously paid under § 4081 (and not credited or refunded) with respect to the dyed fuel; and (iii) the dyed fuel is exempt from § 4081 tax under § 4082(a). Section 6435 is effective for dyed fuel removed on or after December 31, 2025.

Although § 6435 is functionally similar to other rules providing for excise tax payments (*see* for example, §§ 6420, 6421, and 6427(l)), § 6435 differs from those provisions in that it lacks a directive to treat the payments as if they constitute refunds of overpayments of the underlying tax (*cf.* §§ 6420(e)(1), 6421(g)(1), and 6427(j)(1)). Further, the OBBBA does not provide a specific appropriation for § 6435 payments. The only existing appropriation for paying § 6435 claims is the general refund appropriation, which is available only to the extent the claimant is the same person that paid the § 4081 tax to which the claim relates. *See* § 6402; 31 U.S.C. § 1324(b)(1). Thus, absent a statutory change, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) lack the authority to pay § 6435 claims to anyone other than the person that paid § 4081 tax on the dyed fuel to which the claim relates.

SECTION 2. IMPLEMENTATION OF § 6435

The Treasury Department and the IRS intend to issue guidance related to § 6435. The forthcoming guidance will inform taxpayers that paid § 4081 tax on diesel fuel or kerosene and later removed such fuel as dyed fuel of the process for requesting a refund of such tax.

The Treasury Department and the IRS anticipate issuing this guidance in early 2026 and request that taxpayers hold any § 6435 claims until this guidance is issued. The IRS will not process any § 6435 claims until such guidance is issued.

SECTION 3. DRAFTING INFORMATION

The principal author of this announcement is the Office of Associate Chief Counsel (Energy, Credits, and Excise Tax). However, other personnel from the Treasury Department and the IRS participated in its development. For further information regarding this announcement, call (202) 317-6855 (not a toll-free call).

[1] Unless otherwise specified, all "section" or "§" references are to sections of the Code.

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List[1]

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Announcements:

Notices:

Proposed Regulations:

Revenue Procedures:

Revenue Rulings:

Treasury Decisions:

[1] A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2025–27 through 2025–52 is in Internal Revenue Bulletin 2024–52, dated December 22, 2024.

Finding List of Current Actions on Previously Published Items[1]

Bulletin 2026–4

[1] A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2025–27 through 2025–52 is in Internal Revenue Bulletin 2024–52, dated December 22, 2024.

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