

Rev. Proc. 76-10, 1976-1 C.B. 548

## SECTION 1. PURPOSE.

This Revenue Procedure sets forth an administrative procedure whereby a central organization exempt from Federal income tax may expeditiously obtain approval of a group change in annual accounting period for its subordinate organizations exempt on a group basis. This procedure relieves each subordinate from having to file its own Application for Change in Accounting Period, Form 1128, to effect that change.

## SEC. 2. BACKGROUND.

Rev. Proc. 76-9 sets forth an administrative procedure whereby certain exempt organizations may change their annual accounting period on an individual basis. Under that Revenue Procedure each exempt organization, whether an independent organization or a subordinate of a central organization, must generally file its own Form 1128 to effect that change.

## SEC. 3. DEFINITIONS.

.01 A central organization is an organization that has one or more subordinates under its general supervision or control.

.02 A subordinate is a chapter, local, post, or unit of a central organization. It may or may not be incorporated. A central organization may be a subordinate itself, such as a state organization that has subordinate units but itself is affiliated with a national organization.

## SEC. 4. REQUIREMENTS FOR INCLUSION IN GROUP ACCOUNTING PERIOD CHANGE.

.01 A central organization must establish that it is exempt from Federal income tax. It must also establish that the subordinates included in its application for a change in annual accounting period are exempt on a group basis. See Rev. Proc. 72-41, 1972-2 C.B. 820, for procedures under which a central organization may establish and maintain exemption on a group basis for subordinates affiliated with, and under the general supervision or control of, the central organization.

.02 Each subordinate must authorize the central organization in writing to include it in the application for a group change in annual accounting period. The authorization must be signed by a duly authorized officer of the subordinate and retained by the central organization. This requirement will not apply to an affiliated group of exempt organizations, as defined in section 1504(e) of the Internal Revenue Code of 1954, which files a return on a consolidated basis. See section 1.1502-77(a) of the Income Tax Regulations.

.03 Each subordinate must certify in writing to the central organization that it is not disqualified, under section 8 of this Revenue Procedure, from being included in an application for a group change in accounting period. The certification must be signed by a duly authorized officer of the subordinate and retained by the central organization.

## SEC. 5. GROUP CHANGES IN ACCOUNTING PERIOD.

.01 The Internal Revenue Service will recognize an Application for Change in Accounting Period, Form 1128, filed by a central organization on a group basis as encompassing only the subordinates included in the application that qualify under the terms of this Revenue Procedure.

.02 A subordinate that wishes to change to an annual accounting period other than that specified in the application filed by the central organization may do so by following the procedures outlined in Rev. Proc. 76-9.

.03 A central organization that wishes to change its annual accounting period may do so by following the procedures outlined in Rev. Proc. 76-9.

## SEC. 6. FILING APPLICATION FOR GROUP CHANGE.

.01 Subject to conditions contained in this Revenue Procedure, any central organization to which a group exemption letter was issued and that is currently in effect may request a change of the annual accounting period of its qualifying subordinates on a group basis.

.02 The central organization must file Form 1128 (only an original is necessary) with the District Director for which the Key District in which the organization's principal office or place of business is located. Its application should refer to this Revenue Procedure.

.03 The application must be filed on or before the 15th day of the second calendar month following the close of the short period for which a return is required to effect the change in annual accounting period.

.04 Organizations that do not meet all the conditions of this Revenue Procedure will not be deemed to have obtained the approval of the Commissioner of Internal Revenue for the change in accounting period.

.05 Each subordinate organization must attach a statement to its short-period return disclosing: (1) that an application for a group change in accounting period had been filed; (2) the name and address of the central organization that filed it; and, (3) the new annual accounting period. However, if a central organization files a group return, under the provisions of section 1.6033-1(d) or 1.6033-2(d) of the regulations, on behalf of any of its subordinates for the short period, it must include this information for those subordinates as part of the group return.

.06 The central organization must also submit with the Form 1128 the following information on behalf of those subordinates included in the request for a group change in annual accounting period:

1 A letter signed by a principal officer of the central organization setting forth or including as attachments:

(a) A list containing the name, employer identification number, mailing address and Postal Zip Code number of each subordinate organization. However, if all subordinates are included in the request, a reference to that fact will be acceptable in lieu of the list.

(b) Information to verify the fact that the subordinates are exempt on a group basis (including a copy or identification of its group exemption letter).

(c) An affirmation to the effect that each has furnished written authorization to the central organization as described in section 4.02 above.

(d) An affirmation to the effect that each has furnished written certification to the central organization as described in section 4.03 above.

## SEC. 7. RECORDS.

The books of the subordinates included in the change in annual accounting period must be closed as of the last day of the new taxable year. Returns for subsequent taxable years must be made on the basis of a full 12 months ending on the last day of the new taxable year.

## SEC. 8. EXEMPT ORGANIZATIONS NOT COVERED BY THIS PROCEDURE.

This Revenue Procedure does not apply to farmers' cooperatives exempt from Federal income tax under section 521 of the Code, organizations having unrelated business taxable income as defined in section 512(a) that do not meet the conditions of section 3.03 of Rev. Proc. 76-9, and organizations that are private foundations as defined in section 509(a). Such organizations must file applications on Form 1128 in accordance with the provisions of section 1.442-1(b)(1) of the regulations.

## SEC. 9. EFFECTIVE DATE.

This Revenue Procedure shall be effective for any change of annual accounting period where the last day of the short period required to effect the change ends on or after April 30, 1976.

## SEC. 10. INQUIRIES.

Inquiries in regard to this Revenue Procedure should refer to its number and be addressed to the Commissioner of Internal Revenue, Attention: T:C:C:1:AM&P, Washington, D.C. 20224.