

Abstract

This comprehensive analysis examines critical developments affecting nonprofit organizations during June 16-23, 2025, including the Trump administration's ongoing federal funding freeze litigation, major tax reconciliation legislation threatening foundation excise tax increases, emerging state regulatory requirements, IRS processing delays, federal human resources compliance changes, and sector-wide workforce challenges. Key developments include \$425+ billion in blocked federal funding, proposed tiered foundation excise taxes potentially rising from 1.4% to 10%, new state data privacy regulations in multiple jurisdictions, continued uncertainty around diversity initiatives, evolving employment law requirements, and unprecedented operational pressures from declining donations and increased service demand. These interconnected challenges create significant operational risks requiring immediate strategic planning, compliance reviews, advocacy engagement, and workforce retention strategies to protect organizational sustainability and mission effectiveness during this period of heightened regulatory uncertainty.

June 23, 2025 Navigator News Update: Including Federal Funding Freeze Litigation and More!

From Nonprofit Management Navigator

Please see Understanding This Information and Disclaimer at the conclusion of the article

Introduction

Federal executive branch developments continue to dominate the nonprofit landscape during this reporting period, with the Trump administration's federal funding freeze remaining under active litigation while Congressional tax reconciliation threatens unprecedented excise tax increases on foundations. The analysis covers current nonprofit news including ongoing federal funding battles, proposed tax legislation, and sector-wide workforce challenges; federal human resources regulatory changes affecting employment compliance and workplace safety requirements; evolving federal regulatory developments around diversity initiatives, energy credit programs, and electronic payment mandates; significant IRS processing improvements and regulatory clarifications affecting exempt organization operations; and critical state-level developments including new data privacy requirements, demographic reporting mandates, and legislative proposals targeting nonprofit transparency. These interconnected challenges, combined with declining charitable giving and increased service demand, demand immediate attention from nonprofit leaders as organizations navigate an increasingly complex regulatory environment.

while maintaining essential community services and addressing unprecedented operational pressures.

Nonprofit News

Federal Funding Freeze Litigation Continues Despite Court Orders Congressional appropriations committees report that the Trump administration continues blocking \$425+ billion in federal funding despite multiple court orders requiring restoration. Organizations report ongoing difficulties accessing previously awarded grants and contracts, forcing layoffs and service reductions. The prolonged uncertainty creates operational crises for nonprofits dependent on federal support, with particular impact on social services, housing assistance, and health programs. Legal challenges multiply as enforcement remains inconsistent across agencies. Source: [Senate Appropriations Committee](#)

House Tax Bill Advances Foundation Excise Tax Increases The "One Big Beautiful Bill Act" passed by the House includes Section 112022 creating tiered excise taxes on private foundations, potentially increasing rates from the current 1.4% to as high as 10% for foundations with assets exceeding \$5 billion. Foundations with \$250 million to \$5 billion would face 5% rates, while those with \$50-250 million assets would pay 2.8%. The Senate Finance Committee has not included this provision in their version, creating uncertainty. This represents the most significant threat to foundation resources in decades, potentially reducing available grant funding by hundreds of millions annually. Source: [Council on Foundations](#)

Domestic Violence Nonprofits Self-Censor Under Federal Pressure Organizations providing gender-based violence services report proactively editing websites and removing LGBTQ+ resources to protect federal funding eligibility. One-third of state domestic violence coalition websites went offline for content review following funding freeze announcements. The Violence Against Women Act programs face ongoing review under federal diversity and inclusion restrictions. These actions demonstrate the chilling effect of federal policy uncertainty on constitutionally protected advocacy activities, potentially compromising service delivery to vulnerable populations. Source: [The 19th](#)

Charitable Deduction Restrictions Proposed in Senate Senate Finance Committee provisions include Section 70425 creating a 0.5% income floor for charitable deductions and Section 70111 capping tax benefits at 35 cents per dollar rather than the current marginal rate. These changes would effectively eliminate deduction benefits for smaller donors while reducing incentives for major gift giving. Combined with standard deduction increases, experts predict significant reductions in individual charitable giving. The provisions represent the most restrictive charitable giving policies proposed in recent history. Source: [Council on Foundations](#)

Immigration Service Nonprofits Face Tax-Exempt Status Threats The FENCE Act (S.497) and Protecting Federal Funds from Human Trafficking Act (H.R. 1168) would strip 501(c)(3) status from organizations providing support to undocumented individuals or require unprecedented compliance certifications. The legislation targets organizations addressing humanitarian crises and could criminalize basic social services. Legal challenges are expected based on First Amendment and due process grounds, but the proposals create immediate

uncertainty for immigration-focused nonprofits serving vulnerable populations. Source: [National Council of Nonprofits](#)

DEI Program Executive Orders Face Mixed Court Reception Federal courts issued preliminary injunctions blocking certain diversity, equity, and inclusion restrictions while allowing others to proceed. The complex litigation creates patchwork enforcement affecting federal contractors and grantees differently across jurisdictions. Nonprofits report confusion about compliance requirements and continued difficulty determining which programs and language remain permissible. The legal uncertainty compounds operational challenges as organizations await definitive court rulings on constitutional challenges while risking potential funding loss for maintaining prohibited activities. Source: [Goodwin Law](#)

Federal Human Resources News

Overtime Exemption Salary Threshold Uncertainty Continues The federal overtime exemption salary threshold remains at \$35,568 annually following a Texas court ruling that blocked the planned January 2025 increase to \$58,656. The Department of Labor's phased implementation was halted, creating confusion about compliance requirements. Nonprofits that implemented July 2024 increases face decisions about rolling back compensation changes while awaiting appeal outcomes. The uncertainty complicates budgeting and employment decisions, particularly for organizations with large numbers of program staff near threshold levels. Source: [Nonprofit Financial Commons](#)

Federal Contractor Minimum Wage Increases The minimum wage for federal contractors increased to \$17.75 per hour effective January 1, 2025, up from \$17.20 under annual inflation adjustments. Nonprofits holding federal contracts must ensure compliance with the higher wage requirements for all covered employees. The increase adds cost pressures for organizations already facing funding uncertainties and may require contract modifications or budget adjustments. Failure to comply risks contract termination and exclusion from future federal contracting opportunities. Source: [Western Growers Association](#)

EEOC Harassment Guidance Updates Employer Liability The Equal Employment Opportunity Commission's enforcement guidance on workplace harassment, effective April 2024, clarifies liability standards under federal EEO statutes. The guidance emphasizes employer responsibilities for prevention, investigation, and remediation of harassment claims. Nonprofits must review policies and training programs to ensure compliance with updated standards. The guidance particularly affects organizations with federal funding or contracts, where non-compliance could jeopardize government relationships and create legal exposure. Source: [Western Growers Association](#)

AI Workplace Guidance Emphasizes Human Oversight The Department of Labor issued guidance on artificial intelligence use in workplace decisions, emphasizing existing employment law applicability and human oversight requirements. Nonprofits implementing AI tools for recruitment, performance evaluation, or program delivery must ensure transparency and employee rights protection. The guidance requires responsible implementation with clear

policies about data collection and decision-making processes. Non-compliance could result in discrimination claims and regulatory enforcement actions. Source: [Nextep](#)

Pregnant Workers Fairness Act Enforcement Intensifies The Equal Employment Opportunity Commission's final regulations on the Pregnant Workers Fairness Act, effective June 2024, require nonprofits with 15 or more employees to provide reasonable accommodations for pregnancy-related limitations. Organizations report increased accommodation requests and heightened scrutiny regarding compliance with providing workplace modifications. The regulation creates new liability exposure for nonprofits that fail to engage in the interactive accommodation process, with potential discrimination claims and federal enforcement actions threatening organizations unprepared for expanded pregnancy-related obligations. Source: [HR Daily Advisor](#)

Federal Regulatory Developments

Federal Energy Credits Registration Extended The IRS announced continued availability of clean energy investment and production credits for tax-exempt organizations through elective pay provisions. Registration requirements remain in effect for organizations seeking refundable credit treatment. Nonprofits must complete pre-filing registration to include elective payment elections on tax returns. The program provides significant funding opportunities for renewable energy projects but requires careful compliance with registration deadlines and documentation requirements. Source: [IRS Exempt Organizations Update](#)

Processing Delays Affect Tax-Exempt Determinations Organizations report significant delays in IRS processing of Form 1023 applications for tax-exempt status, with some determinations taking over 12 months compared to historical processing times of 3-6 months. The delays affect new organizations' ability to solicit deductible contributions and access grants requiring federal tax-exempt status. Extended processing times create operational challenges for startup nonprofits and force organizations to operate in legal uncertainty while awaiting official recognition. The bottleneck threatens to impede charitable sector growth and new organization formation during a period of increased community need. Source: [BoardSource](#)

Corporate Transparency Act Enforcement Suspended A federal court injunction temporarily halted Corporate Transparency Act beneficial ownership reporting requirements, affecting certain nonprofits not qualifying for exemptions. While reporting remains voluntary during the injunction, organizations should prepare for compliance once enforcement resumes. Most tax-exempt organizations qualify for exemptions, but entities with complex structures or commercial activities may face reporting obligations. The uncertainty requires legal review to determine exemption status and preparation for potential future compliance. Source: [Charity Compliance Solutions](#)

Mexico City Policy Reinstated Globally Presidential memorandum reinstated and expanded the Mexico City Policy, prohibiting U.S. funding for foreign organizations providing or promoting abortion services. The policy applies globally to foreign aid programs and affects U.S. nonprofits with international operations or partnerships. Organizations must review grant agreements and

partnership arrangements to ensure compliance with new restrictions. Violations could result in funding termination and exclusion from future government programs. Source: [Arnold & Porter](#)

Electronic Check Processing Mandate Approaches The federal government will eliminate paper checks for all payments by September 30, 2025, requiring nonprofits to establish electronic payment systems for grant reimbursements and contract payments. Organizations without electronic capabilities face potential payment delays and administrative complications. The transition requires banking arrangement updates and staff training on new processes. Failure to prepare could disrupt cash flow and create operational difficulties for government-funded programs. Source: [Wegner CPAs](#)

Department of Government Efficiency Targets Regulatory Framework The newly established Department of Government Efficiency has begun comprehensive reviews of federal agency guidance documents, with potential impacts on established nonprofit compliance frameworks. The initiative aims to eliminate outdated regulations and streamline administrative processes, but creates uncertainty about long-standing IRS positions and regulatory interpretations that nonprofits rely upon for operational guidance. Organizations face potential disruption to established compliance practices as DOGE reviews could fundamentally alter the regulatory landscape governing tax-exempt operations and reporting requirements. Source: [Goodwin Law](#)

IRS Developments

Form 8940 Electronic Filing Now Available The IRS issued revised Form 8940, Request for Miscellaneous Determination, allowing electronic filing for the first time. The change streamlines the application process for organizations seeking IRS determinations on various tax-exempt matters. Electronic filing reduces processing times and provides better tracking capabilities for applicants. Organizations should utilize the updated system to improve efficiency in obtaining needed IRS determinations for operational and compliance matters. Source: [IRS Exempt Organizations Update](#)

Form 990 Data Disclosure Resources Enhanced The IRS launched an improved webpage for Form 990 series data access, including redacted schemas for non-technical users and compiled FAQ documents addressing disclosure concerns. The enhanced resources improve public transparency while protecting confidential information. Nonprofits should review available datasets to understand public information exposure and ensure Form 990 accuracy. The improved accessibility may increase public scrutiny of organizational operations and financial management. Source: [IRS Exempt Organizations Update](#)

Clean Energy Credits Registration Expanded The IRS Energy Credits Online tool now allows multiple user registrations per entity to ensure continuity of access to clean energy credit programs. Organizations are encouraged to designate multiple clean energy officers to prevent access disruption if personnel changes occur. The expansion addresses previous limitations that left organizations without access when designated officers departed. Nonprofits should immediately add additional users to maintain uninterrupted access to potentially valuable credit programs. Source: [IRS Exempt Organizations Update](#)

Church Tax Inquiry Waiver Process Clarified The IRS announced a voluntary written waiver process allowing expeditious processing of church refund claims and abatement requests without following Section 7611 church tax inquiry procedures. Churches may choose to waive procedural protections to accelerate claim processing. The option provides flexibility for organizations seeking faster resolution of tax matters. Churches should carefully consider whether to utilize waivers based on specific circumstances and potential impacts on procedural protections. Source: [IRS Exempt Organizations Update Archive](#)

CAMT Alternative Minimum Tax Exemption Confirmed The IRS confirmed that tax-exempt organizations do not need to file Form 4626 for the Corporate Alternative Minimum Tax created by the Inflation Reduction Act of 2022. The 15% minimum tax applies only to corporations with average annual adjusted financial statement income exceeding \$1 billion. The clarification eliminates compliance burden for nonprofits and confirms exemption from complex reporting requirements. Organizations can focus resources on other compliance priorities without CAMT filing obligations. Source: [IRS Exempt Organizations Update](#)

State Level Nonprofit News

Illinois Implements Charitable Grant Demographic Reporting Illinois SB 2930/Public Act 635 requires nonprofits reporting grants of \$1 million or more to post aggregated demographic information about directors and officers on their websites within 30 days of filing annual reports. The requirement affects organizations with significant grantmaking activities and adds new transparency obligations. Noncompliance could result in regulatory enforcement and public criticism. Organizations must develop systems for collecting and reporting demographic data while protecting individual privacy rights. Source: [The Nonprofit Alliance](#)

Delaware Data Privacy Law Includes Nonprofits Delaware's new comprehensive data privacy law does not provide general exemptions for nonprofit organizations, unlike most state privacy statutes. The law applies to organizations meeting data processing thresholds regardless of tax-exempt status. Nonprofits must implement consumer rights procedures, conduct privacy impact assessments, and provide required notices. The inclusion creates new compliance burdens and potential liability for organizations handling significant personal data in their operations and fundraising activities. Source: [White & Case](#)

Colorado AI Regulation Affects Nonprofit Operations Colorado's AI regulation law applies to any organization deploying "high-risk AI systems" regardless of consumer-facing nature. The law excludes private rights of action but provides Colorado Attorney General enforcement authority. Nonprofits using AI for decision-making must ensure compliance with safety and disclosure requirements. The regulation affects organizations implementing AI tools for donor management, program evaluation, or service delivery. Compliance requires risk assessments and potentially significant operational changes. Source: [The Nonprofit Alliance](#)

California Fundraising Platform Regulations Take Effect Assembly Bill 488 requires written consent from recipient charities before platforms use their names in solicitations and mandates donor disclosure about fund distribution. Platforms must register using Form PL-1 and implement consent procedures for all charitable partnerships. The regulations affect online

fundraising relationships and require compliance systems for both platforms and beneficiary organizations. Nonprofits must review platform partnerships and ensure proper consent documentation to avoid regulatory violations. Source: [Charity Compliance Solutions](#)

34 States Face Donor Privacy Legislation Threats People United for Privacy Foundation identifies legislative proposals in 34 states that could jeopardize nonprofit donor privacy rights. The threats include PAC disclosure requirements, online advocacy disclaimers, and broadened reporting mandates. Conservative and progressive states both advance potentially harmful proposals affecting First Amendment associational rights. Nonprofits must monitor state legislation and engage in advocacy to protect donor privacy protections essential for fundraising operations and supporter engagement. Source: [People United For Privacy](#)

Massachusetts Implements EEO Reporting Requirements Massachusetts law effective October 2025 requires covered employers to submit annual EEO-1 data reports to the state secretary, expanding federal reporting obligations to state-level compliance. Nonprofits subject to federal EEO-1 requirements must now navigate dual reporting systems and ensure consistent data across jurisdictions. The law also requires submission of EEO-3, EEO-4, and EEO-5 reports on specified schedules, creating additional administrative burden. Non-compliance could result in state enforcement actions and penalty assessments, adding regulatory risk for organizations already managing complex federal employment law requirements. Source: [The Nonprofit Alliance](#)

Minnesota Strengthens Charitable Organization Oversight Minnesota's Attorney General enhanced enforcement of charitable solicitation requirements, mandating more detailed financial reporting for organizations receiving over \$750,000 in annual revenue. The strengthened oversight includes requirements for independent CPA audits and stricter governance standards for charitable trusts and nonprofit corporations. Organizations must provide expanded public disclosure of financial information and demonstrate compliance with prudent management standards. The enhanced regulatory framework increases administrative costs and requires more sophisticated financial management systems, particularly challenging smaller organizations lacking professional financial staff. Source: [Minnesota Attorney General](#)

Texas Regulatory Environment Study Reveals Compliance Burden A comprehensive 50-state analysis of charity regulations ranks Texas among states with moderate regulatory burden on nonprofit organizations, highlighting the impact of varying state compliance requirements on sector development. The study demonstrates correlation between excessive regulation and fewer charitable organizations per capita, suggesting overregulation may harm sector growth. Texas nonprofits face particular challenges with registration fees, audit requirements, and oversight mechanisms that consume resources otherwise directed to mission fulfillment. The findings support arguments for regulatory reform to reduce administrative burden while maintaining appropriate accountability and transparency standards. Source: [Philanthropy Roundtable](#)

About Nonprofit Management Navigator

[Nonprofit Management Navigator](#) is a trade name of PMG46, LLC doing business as Nonprofit Management Navigator. Nonprofit Management Navigator provides this complimentary weekly subscription service designed for nonprofit leaders. This essential resource provides curated news updates on the legal, regulatory, and operational developments impacting organizations, saving executives time while keeping them informed about the important changes directly impacting their organizations. In addition to timely news, Nonprofit Management Navigator also offers in-depth reports and practical management guidance to help leaders navigate an increasingly unpredictable operating environment. What makes Nonprofit Management Navigator particularly valuable is its commitment to accessibility—the entire service is available as a complimentary subscription, ensuring critical operational intelligence reaches nonprofit leaders regardless of budget limitations during these chaotic regulatory times.

Understanding This Information and Disclaimer

Nonprofit Management Navigator is a trade name of PMG46, LLC doing business as Nonprofit Management Navigator. This update from Nonprofit Management Navigator is designed to offer general insights and information. It is crucial to understand that this content is not, and should not be considered, a replacement for professional legal, accounting, or operational advice. Nonprofit Management Navigator does not provide legal advice. We urge you to consult with qualified legal, accounting, or operational professionals before taking action based on this content. While we aim for comprehensive and accurate information, Nonprofit Management Navigator cannot guarantee that every relevant development is included or that all information from our sources is entirely reliable or precise. This report draws on public sources, compiled with the support of artificial intelligence and Nonprofit Management Navigator staff.