

Abstract

2025 was a defining year for nonprofit organizations, marked by sweeping federal regulatory changes, historic funding disruptions, an unstable operating environment, and rapidly evolving state-level requirements. This December 15, *2025 Navigator News Update: Recap of Defining 2025 Nonprofit Developments* brings you a comprehensive roundup of the most significant nonprofit news, federal actions, HR changes, IRS and financial developments, and state-level trends that shaped the sector during 2025. This recap highlights the regulatory shifts, compliance challenges, workforce trends, and financial pressures that defined the year—and the early indicators of what nonprofits should expect heading into 2026. This issue is designed to help you quickly understand the most important developments of 2025 so your organization can better prepare for the year ahead.

December 15, 2025 Navigator News Update: Recap of Defining 2025 Nonprofit Developments

From Nonprofit Management Navigator

Please see [Understanding This Information and Disclaimer](#) at the conclusion of the article

Introduction

You've just lived through one of the most turbulent and unpredictable years the nonprofit sector has experienced in decades. Federal policy shifts, funding freezes, shutdown disruptions, new executive orders, state-level legislative activity, and rapidly shifting human-resources norms reshaped how nonprofits operate, plan, budget, and deliver services. At the same time, nonprofits faced extraordinary community demand—particularly in food insecurity, housing, healthcare navigation, and immigrant assistance—while contending with staffing shortages, hiring pressures, and increasing political scrutiny.

The following analysis consists of four separate sections: federal news and regulatory changes, human resources developments, IRS and financial issues, and state level nonprofit developments. Each of these begin with an executive summary followed by separate summaries relating to the most important 2025 developments affecting the nonprofit sector in that area. For example, in the federal news and regulatory changes section we review 12 developments which were instrumental in shaping nonprofit operations during 2025. These 12 do not necessarily represent a complete list of the important developments in that area. We feel, however, that they are among the most consequential changes that helped shape 2025 and continue to influence nonprofit operations as we enter 2026. Our goal is to help you understand the issues, anticipate what comes next, and navigate this increasingly complex nonprofit environment with clarity.

Before You Begin

A Word About Our 2025 Holiday Publishing Schedule

We wish you a joyful, healthy, and restorative holiday season. Thank you for the continued support you've shown the weekly *Nonprofit Navigator News Update* throughout this extraordinary year. We want to make you aware that we will be taking a short holiday break starting after this issue for the remainder of December and will return on **January 5, 2026**. We look forward to seeing you then and continuing to help you stay ahead of the legal, regulatory, and operational issues shaping the nonprofit sector.

2025 RECAP: NEWS & REGULATORY DEVELOPMENTS

Executive Summary

This section provides an overview of the major federal news/regulatory and operating developments that shaped nonprofit operations in 2025. Nonprofits faced significant operational strain due to federal regulatory changes, funding instability, layoffs tied to disrupted government grants and shifts in client needs and donor expectations. Broad federal policy changes required many nonprofits to re-evaluate their operations during the past 12 months.

These summaries represent a review of the most consequential nonprofit federal news, regulatory and operating developments of 2025. They are not necessarily a complete list; some relevant issues may have been omitted or appear in other sections of the 2025Recap. The objective is to provide nonprofit leaders with a clear view of the continuously shifting nonprofit sector operating environment heading into 2026.

1. Executive Orders Targeting DEI Programs (January 2025)

Sweeping executive orders eliminated DEI programs in federal agencies and targeted nonprofit organizations both directly and indirectly. Federal contractors and grantees were required to certify they didn't operate DEI programs violating federal anti-discrimination laws. Large non-profit corporations were explicitly targeted for civil investigations. Multiple legal challenges filed; 19 state attorneys general issued guidance (February 13) affirming lawful DEI initiatives remain legal.

Source: [Harvard Law School Forum on Corporate Governance](#)

2. Federal Funding Freeze and Disruptions (January-March 2025)

OMB Memorandum M-25-13 (January 27) temporarily froze federal financial assistance. Federal courts issued restraining orders halting the freeze. An Urban Institute survey found 33% of nonprofits experienced government funding disruptions, 21% lost funding, 27% faced delays/freezes, 6% received stop-work orders. Government funding represents 42% of total revenue for affected organizations. 29% reduced staff; 21% were already serving fewer people.

Source: [Urban Institute](#)

3. Federal Grant Oversight Executive Order (August 7, 2025)

Executive Order 14332 fundamentally reshaped federal discretionary grantmaking. The EO requires senior political appointees to review/approve all grant applications; peer review becomes "advisory." Grants must "demonstrably advance the President's policy priorities." Agencies can terminate grants for convenience when they "no longer advance agency priorities." Recipients must obtain affirmative authorization before drawing down funds and provide written explanations for each drawdown. There is also increased scrutiny of indirect cost rates.

Source: [Federal Register](#)

4. Federal Government Shutdown (September 30 - November 12, 2025)

The second-longest federal shutdown directly harmed nonprofits. Approximately 900,000 federal employees furloughed; 2 million worked without pay. Nonprofits couldn't access federal grant/contract funding already earned. SNAP benefits were disrupted; restored through court orders. Average nonprofit receives 28% of funding from government.

Source: [National Council of Nonprofits](#)

5. Public Service Loan Forgiveness (PSLF) Rule Changes (October 31, 2025)

The Department of Education finalized rules allowing exclusion of nonprofits from PSLF if deemed to have "substantial illegal purpose." Effective July 1, 2026. National Council of Nonprofits and 21 states filed litigation challenging the new rule. Nearly 10,000 public comments were submitted opposing the changes. Nonprofit employee recruitment and retention could be adversely affected..

Source: [National Council of Nonprofits](#)

6. Tax Legislation: "One Big Beautiful Bill Act" (H.R. 1) - Signed July 4, 2025

Positive Provision - Universal Charitable Deduction (Effective 2026): \$1,000 deduction for individuals, \$2,000 for joint filers taking standard deduction. Available to ~90% of taxpayers who don't itemize. The do rule excludes private foundations and donor-advised funds. The change is estimated to generate \$74 billion over 10 years.

Negative Provisions: 0.5% AGI floor: First 0.5% of adjusted gross income in charitable contributions not deductible for itemizers; 35% cap on itemized charitable deductions (down from 37%); may reduce giving by \$41-61 billion over 10 years; Corporate giving floor: Must give at least 1% of taxable income to receive any deduction; Estate tax exemption increased to \$15 million individual/\$30 million joint (may reduce charitable bequests); Expanded endowment tax for universities: 4% for \$750K-\$2M endowments; 8% for \$2M+; Executive compensation excise tax expanded to all nonprofit employees making \$1 million+

Source: [National Council of Nonprofits](#)

7. IRS Reinterprets Johnson Amendment for Houses of Worship (July 7, 2025)

On July 7, 2025, the IRS announced through a proposed federal court consent judgment that houses of worship may endorse political candidates through their "customary channels of communication" during religious services without losing tax-exempt status. The settlement arose from a lawsuit filed in August 2024 by National Religious Broadcasters and two Texas churches challenging the Johnson Amendment's constitutionality. The Johnson Amendment, enacted in 1954, prohibits all 501(c)(3) organizations from participating in political campaigns. Critical limitations: (1) applies ONLY to houses of worship, NOT to secular 501(c)(3) organizations; (2) limited to speech during religious services; (3) does not authorize political expenditures; (4) requires court approval. Over 1,000 nonprofit organizations opposed the change.

Source: [NPR](#)

8. Federal Investigations Targeting Nonprofits (2025)

Following the September 2025 assassination of conservative activist Charlie Kirk, the Trump Administration launched investigations targeting left-leaning nonprofits and foundations, including Open Society Foundations and Ford Foundation. Presidential Memorandum "Countering Domestic Terrorism and Organized Political Violence" (September 25) directed FBI's National Joint Terrorism Task Force, DOJ, Treasury, and IRS to investigate organizations allegedly supporting domestic terrorism and political violence. Executive Order designated Antifa as domestic terrorist organization (September 22).

Congressional investigations: House Homeland Security Committee probed 200+ NGOs regarding immigration services (June 2025); International Center for Not-for-Profit Law documented 32+ separate congressional investigations targeting nonprofits in 2025; investigations focused on alleged violations of anti-discrimination, anti-terrorism, national security, and foreign influence laws. Administration threatened tax-exempt status revocation and RICO charges. Legal experts note federal law prohibits senior executive officials from directing IRS audits of specific organizations.

Source: [National Council of Nonprofits](#)

9. Additional Federal Actions

IRS Guidance Review (April 9): Comprehensive review by Department of Government Efficiency; allows agency heads to finalize rules without notice-and-comment

Foreign Aid Freeze (January 26): Secretary Rubio paused all State Department/USAID foreign assistance

TRIO Grants Frozen: \$660 million withheld from 2,000+ educational opportunity programs

DOL Overtime Rule Vacated (November 15, 2024): Salary threshold increase struck down; reverted to \$35,568

English as Official Language (March 1): Rescinds language access service requirements

Immigration Executive Order (January 20): ICE authorized for arrests in churches, schools, hospitals; nonprofits aiding immigrants face challenges

Supreme Court Decision (June 27): Trump v. Casa limits nationwide injunctions; courts may only grant relief to case parties

Source: [Goodwin Procter](#)

10. GoFundMe Unauthorized Nonprofit Pages Controversy (October 2025)

GoFundMe created 1.4 million donation pages for U.S. nonprofits without consent using IRS data. Pages included incorrect information, outdated logos, and 16.5% default tips to GoFundMe. SEO optimization caused pages to rank higher than official nonprofit websites. Following sector pushback, GoFundMe (October 23) issued apology, made pages opt-in only, removed unclaimed pages, eliminated tips/outdated logos, removed GFM branding unless opted-in.

Source: [Chronicle of Philanthropy](#)

11. Increased Service Demand Amid Funding Cuts and Government Shutdown

Two-thirds of nonprofits anticipated demand increases; food insecurity surged (40%+ affected by federal cuts); military food pantry use increased 300%; SNAP disruptions affected millions during shutdown; increased demand for mental health services, housing

assistance, legal services for immigrants, disaster relief services, healthcare navigation, job training programs.

Source: [The Conversation](#)

12. GivingTuesday Success and Year-End Fundraising Trends (2025)

GivingTuesday 2025 Record Results: Donors contributed \$4.0 billion in the United States (13% increase over 2024's \$3.6 billion); 38.1 million people participated (6% increase, record high); 19.1 million made financial contributions (up 3%); 13.5 million gave goods (up 4%); 11.1 million volunteered (up 20%); 20.9 million spoke out about causes (up 26%). Total GivingTuesday donations since 2012 reached \$22.5 billion. Platform results: Bloomerang processed \$76 million (33% increase); Benevity reported \$150 million+ (largest single-day event ever); digital wallet donations increased 82% year-over-year; recurring donations increased 61%.

Year-End Fundraising Importance: December accounts for 30-40% of annual nonprofit revenue (M+R Benchmarks); 12% of annual donations occur in final three days of year; December 31 alone represents 5% of annual revenue. Nonprofits raise 24-47% of annual online revenue in November-December depending on sector. First-time donors in December give larger gifts (52% tendency); only 25% of first-time donors give again without stewardship. Online giving grew 2.2% year-over-year in 2024.

Source: [GivingTuesday](#)

2025 RECAP: HUMAN RESOURCES DEVELOPMENTS

Executive Summary

This section provides an overview of the important human-resources developments that shaped nonprofit workforce management throughout 2025. Nonprofits faced significant operational strain this year due to federal regulatory changes, funding instability, layoffs tied to disrupted government grants, and shifts in workforce expectations. Broad policy changes—such as the vacating of federal overtime rules, revised independent-contractor classifications, and changes to PSLF eligibility—forced many nonprofits to re-evaluate staffing structures, compliance obligations, and compensation planning.

At the same time, long-term trends accelerated: rapid adoption of AI; widespread use of hybrid and remote work models; expanded emphasis on employee well-being; rising expectations for pay transparency and equity; and increased investment in professional development and upskilling as organizations attempted to retain talent in an unstable environment.

The following summaries represent the most consequential HR developments of 2025. They are not a complete list; some HR-related issues may have been omitted or appear in other sections of this 2025 Recap. The objective is to provide nonprofit leaders with a clear view of the shifting nonprofit workforce landscape heading into 2026.

1. DOL Overtime Rule Vacated (November 15, 2024)

A Federal court in Texas struck down the Department of Labor Final Rule that would have raised the overtime salary threshold to \$43,888 (July 1, 2024) then \$58,656 (January 1,

2025). The new rule would have affected 460,000+ nonprofit workers, and the threshold reverted to \$35,568 annually.

Source: [Holland & Knight](#)

2. Independent Contractor Classification Rule Changes (May 1, 2025)

The Department of Labor announced it will no longer enforce the Biden-era 2024 independent contractor rule under the Fair Labor Standards Act. DOL reverted to the more employer-friendly "economic reality" framework from the 2008 Fact Sheet and 2019 Opinion Letter, making it easier to classify workers as independent contractors. The 2024 Rule required complex "totality of circumstances" analysis with six equally-weighted factors to determine if workers were "economically dependent" on employers. The new framework focuses on whether the worker is truly in business for themselves or dependent on the hiring entity. The change provides greater flexibility for nonprofits using independent contractors but requires careful review as the 2024 Rule remains in effect for private litigation and state laws may impose stricter requirements.

Source: [U.S. Department of Labor](#)

3. PSLF Rule Changes (October 31, 2025)

The Department of Education finalized a rule allowing the exclusion of nonprofits from Public Service Loan Forgiveness if deemed to have "substantial illegal purpose." effective July 1, 2026. Litigation has been filed by the National Council of Nonprofits and a coalition of 21 states.

Source: [National Council of Nonprofits](#)

4. Elimination of Disparate Impact Liability (April-December 2025)

Executive Order (April 23, 2025): President Trump issued Executive Order "Restoring Equality of Opportunity and Meritocracy" directing federal agencies to eliminate use of disparate impact theory of liability. The Order instructs EEOC and other agencies to deprioritize enforcement of statutes and regulations relying on disparate impact, which allows discrimination claims based on policies producing disproportionate outcomes for protected groups even without proof of discriminatory intent.

DOJ Final Rule (December 9, 2025): The Department of Justice published the final rule rescinding disparate impact provisions from Title VI implementing regulations under the Civil Rights Act of 1964. The Rule eliminated regulatory language prohibiting conduct resulting in disparate impact in federally funded programs, in effect since 1973. The new Rule requires proof of intentional discrimination rather than reliance on statistical disparities. This impacts enforcement in housing, education, employment, and other areas for federal fund recipients.

Source: [Federal Register](#)

5. Federal Funding Cuts Causing Mass Layoffs

Chronicle of Philanthropy tracking shows at least 22,757 nonprofit jobs lost January 20-June 30, 2025. The actual number is potentially 40,000+ due to underreporting. The healthcare sector was hit the hardest (2,364 positions in June alone). Major examples: Johns Hopkins University (2,000 jobs after losing \$800M in USAID funding), Providence Health & Services (600 positions across 7 states), Sharp HealthCare (315 employees), Eckerd Connects (479 positions across 4 states), RAICES Texas (220 layoffs).

Source: [Urban Institute](#)

6. AI Integration in HR (2025-26 HR Trend)

Over 50% of organizations are now using AI for recruitment, including resume screening, automated reference checks, candidate matching, and interview scheduling. Nonprofits are adopting AI-powered recruitment solutions faster than private sector in some areas, despite budget constraints. AI helps automate time-consuming tasks while allowing HR staff to focus on relationship building and strategic decision-making. Nonprofits are also using AI in other areas as well as they investigate expanded use of AI as one way to deal with growing staffing shortages.

Source: [FoundationList](#)

7. Skills-Based Hiring Adoption (2025-26 HR Trend)

The trend is towards skills-based hiring. 90% of organizations using skills-based hiring methods reported fewer hiring mistakes; 94% agree it's more predictive of success than resumes. This approach focuses on practical skills and competencies rather than traditional credentials like degrees, allowing nonprofits to build more resilient workforces capable of navigating evolving challenges.

Source: [ADP](#)

8. Hybrid/Remote Work Models (2025-26 HR Trend)

Hybrid/Remote work has become an accepted nonprofit practice. 39% of nonprofit employers offer hybrid jobs; 40% allow remote work; 36% support flexible schedules to attract talent. Remote and hybrid work models expand nonprofits' reach and talent pools, allowing organizations to hire employees from different regions. However, many frontline and program-based roles still require in-person engagement.

Source: [ADP](#)

9. Employee Wellness Focus (2025-26 HR Trend)

Nonprofits are implementing mental health programs, stress management resources, expanded PTO, and peer support programs to combat burnout. Given high levels of emotional labor in nonprofits, technologies supporting employee well-being (anonymous feedback platforms, wellness tracking apps, mental health resources) are becoming increasingly valuable. Organizations are prioritizing low-cost, high-impact solutions like regular pulse surveys and flexible work arrangements.

Source: [ADP](#)

10. Pay Equity and Transparency (2025-26 HR Trend)

There is growing regulatory and employee pressure for transparent compensation structures, documented pay decision processes, and reduced exceptions. Today's candidates expect higher salaries more comparable to those in the private sector, putting pressure on nonprofits, especially smaller organizations with limited resources. The traditional approach of lower pay offset by mission-driven work is no longer sufficient.

Source: [Charitable Advisors](#)

11. Professional Development and Upskilling (2025-26 HR Trend)

53% of nonprofit employers make professional development offerings a key retention strategy; focus on upskilling, leadership opportunities, and succession planning. Organizations are increasingly partnering with educational institutions or leveraging online learning platforms to train employees, ensuring teams are equipped to meet evolving demands. .

Source: [FoundationList](#)

2025 RECAP: IRS, ACCOUNTING & FINANCE DEVELOPMENTS

Executive Summary

This section summarizes the major IRS, accounting, and financial developments that shaped nonprofit compliance and financial operations during 2025. Federal administrative changes, IRS guidance priorities, new tax legislation, filing requirements, and system outages all contributed to a rapidly shifting regulatory landscape. Many developments increased compliance burdens, accelerated timelines, or introduced new areas of scrutiny—particularly around compensation, donor-advised funds, endowment taxation, and exempt-organization reporting.

Nonprofits also navigated delays in IRS processing systems, ongoing enforcement activity, and updated educational resources intended to support compliance responsibilities. Several developments reflect broader federal policy changes included elsewhere in this 2025 Recap.

The summaries below provide a clear, factual overview of the most significant IRS and financial regulatory developments of the year. This is not an exhaustive list; some related issues may have been omitted or appear in another section of the 2025 Recap. The objective is to help nonprofit leaders understand how the IRS environment evolved in 2025 and what may influence compliance obligations in 2026.

1. IRS Guidance Review by DOGE (April 9, 2025)

A Trump Executive Order initiated a comprehensive review of IRS guidance documents by the Department of Government Efficiency. The purpose was to eliminate outdated/unlawful regulations; allow agency heads to finalize rules without notice-and-comment using the "good cause" exception.

Source: [Goodwin Law](#)

2. 2025-2026 Priority Guidance Plan (Released September 30, 2025)

The IRS and Treasury identified 105 guidance projects for 2025-2026, including nine exempt organization-specific priorities:

DEREGULATION & BURDEN REDUCTION:

- Regulations under Section 6104 (public inspection of materials)
- Updates to determination letter procedures
- Revenue procedure on "no-rule" issues

SECTION 501(c)(3) ISSUES:

- Guidance on fundamental public policy against racial discrimination for private schools
- Guidance on Johnson Amendment (political campaign prohibition)

OBBA IMPLEMENTATION (Omnibus Budget Reconciliation Act):

- Section 4960 (excess compensation): Expanded "covered employee" definition to ALL employees making \$1 million+, effective after December 31, 2025
- Section 4968 (college/university endowment tax): Increases to 4% tax rate for endowments valued \$750K-\$2M; 8% for endowments over \$2M

OTHER PRIORITIES:

- Section 4966: Final regulations on donor-advised funds (proposed November 2023)

- Section 4945: Regulations on private foundation expenditure responsibility
- Section 7701: Final regulations on Indian Tribal government wholly-owned entities

Source: [ArentFox Schiff](#)

3. Tax Legislation: "One Big Beautiful Bill Act" (H.R. 1)

The One Big Beautiful Act was signed July 4, 2025. The new federal tax reform contains many provisions. Some of these are favorable to nonprofits and others less favorable. Summary 6 in the News and Regulatory Developments section of this issue of the Navigator News Update provides more detailed analysis of the new federal tax legislation.

4. Mandatory Electronic Filing Requirements Expansion (2023-2025)

Form 990/990-PF: Mandatory e-filing for tax years ending July 31, 2020 and later. Form 990-EZ: Mandatory e-filing for tax years ending July 31, 2021 and later. Form 990-N (e-Postcard): Always electronic; requires Login.gov or ID.me account. Information Returns: Starting tax year 2023, organizations filing 10+ information returns (1099 series, etc.) must file electronically (reduced from 250 threshold). Current Limitation: E-filing only available for current tax year and two prior periods; IRS no longer accepts e-filed returns for 2020 and older (as of December 26, 2023).

Source: [IRS](#)

5. Automatic Revocation for Non-Filing Remains in Effect

Organizations failing to file Form 990/990-EZ/990-N for 3 consecutive years automatically lose tax-exempt status. IRS publishes list of revoked organizations. Taxpayer First Act of 2019 requires IRS to notify organizations after 2 consecutive years of non-filing.

Source: [National Council of Nonprofits](#)

6. Tax-Exempt Status Application System Outage (Mid-March 2025)

The IRS internal operating system for exemption applications went down mid-March 2025, causing significant delays in issuing determination letters for Forms 1023, 1024, and 1024-A. As of December 2025, processing times: Form 1023-EZ: 22 days; Form 1023: 191 days; Form 1024: 210 days.

Source: [IRS](#)

7. Stay Exempt Resource Redesign (2025)

The IRS has redesigned the Stay Exempt educational resource with centralized location on IRS.gov, updated design, mobile optimization. Training modules are available on tax-exempt status applications, annual filing requirements, compliance responsibilities. Note: Content may not reflect One Big Beautiful Bill Act changes; IRS recommends consulting recent guidance.

Source: [IRS Stay Exempt](#)

8. Paper Tax Refund Check Phase-Out (Effective September 30, 2025)

IRS announced phase-out of paper tax refund checks; affects exempt organizations receiving refunds.

Source: [PwC](#)

9. Unrelated Business Income Tax (UBIT) Enforcement

IRS continues enforcing UBIT rules with added scrutiny in 2025. Organizations earning \$1,000+ in unrelated business income must file Form 990-T.

Source: [Brady Martz](#)

2025 RECAP: STATE LEVEL NONPROFIT DEVELOPMENTS

Executive Summary

State-level activity accelerated significantly in 2025, with legislatures and attorneys general reshaping nonprofit obligations across multiple areas including DEI, artificial intelligence, donor privacy, data privacy, charitable solicitation, hospital community-benefit rules, minimum wage requirements, and paid sick leave. Many of these changes were enacted in direct response to federal actions, while others reflected growing state interest in nonprofit governance, data practices, and political activity.

This section includes the major state developments from 2025. The summaries which are included do not necessarily represent a complete list; some state-level issues may have been omitted or appear in other parts of this 2025 Recap. Nonprofits face an increasingly complex policy landscape as states assert broader authority over employment laws, fundraising oversight, privacy requirements, and disclosure obligations. Understanding these trends will be critical for nonprofits operating in multiple states or receiving funding from states implementing new compliance rules, enforcement priorities, or reporting standards heading into 2026.

1. State Attorney General DEI Guidance

19 state attorneys general (led by Massachusetts Attorney General Andrea Joy Campbell and Illinois Attorney General Kwame Raoul, joined by AGs from Arizona, California, Colorado, Connecticut, Delaware, Hawaii, Maine, Maryland, Michigan, Minnesota, Nevada, New Jersey, New Mexico, New York, Oregon, Vermont, and Washington) issued guidance affirming lawful DEI initiatives remain legal under state law. The guidance distinguishes illegal discrimination from permissible voluntary DEI programs.

Source: [Massachusetts Attorney General](#)

2. Paid Sick Leave Expansions Across Several States

Alaska (effective July 1, 2025), Missouri (effective May 1, 2025), and Nebraska (effective October 1, 2025) enacted new paid sick leave laws. California, Massachusetts, Michigan, Minnesota, and Washington expanded existing laws with new requirements effective in 2025.

Source: [Seyfarth Shaw LLP](#)

3. State AI Legislation Affecting Nonprofits Being Considered by Several States

California AB 2013 (effective January 1, 2025) requires developers of generative AI systems to post documentation on training data. California SB 1047 vetoed (would have required safety protocols for large AI models). California SB 896 creates Artificial Intelligence

Accountability Act requiring state agencies to develop risk reports for AI use. Illinois and other states considering similar AI regulatory frameworks.

Source: [Texas Nonprofit Policy Association](#)

4. Trump Executive Order Seeking to Preempt State AI Regulations (December 11, 2025)

President Trump signed executive order "Ensuring a National Policy Framework for Artificial Intelligence" directing federal agencies to challenge state AI laws and establish a single national framework. The order directs Attorney General to create "AI Litigation Task Force" within 30 days to challenge state AI laws deemed unconstitutional or preempted. The Commerce Secretary must evaluate state AI laws conflicting with national policy and withhold Broadband Equity Access and Deployment (BEAD) funding from states with such laws. Agencies are directed to consider making absence of conflicting laws conditions of discretionary grants. States have introduced 1,000+ AI bills creating varied requirements; California and Colorado passed laws addressing deepfakes and algorithmic discrimination. Legal experts question enforceability, noting executive orders cannot preempt state law without Congressional authorization.

Source: [White House](#)

5. Multiple States Consider Donor Privacy Legislation and Related Threats

Multiple states are considering legislation affecting nonprofit donor privacy. 20 states have passed Personal Privacy Protection Act protecting nonprofit donor information. Threats include expanded electioneering communication reporting (Wyoming), donor disclosure requirements tied to scandals (Ohio), and "foreign influence tax" proposals (North Dakota). Threats have been identified in both Republican and Democratic-controlled states across all geographic regions.

Source: [United for Privacy](#)

6. State Data Privacy Laws Expanding to Nonprofits

Five new state privacy laws took effect January 2025 in Delaware, Iowa, Nebraska, New Hampshire, and New Jersey, bringing the total to 13 states. Colorado, Delaware, New Jersey, and Oregon provide no exemption for 501(c)(3) organizations. Minnesota and Maryland have very limited nonprofit exemptions. Nonprofits must evaluate applicability thresholds (typically 100,000 residents or 25,000 with revenue from data sales).

Source: [Wiley Law](#)

7. State Minimum Wage Increases

21 states raised minimum wages effective January 1, 2025: Alaska, Arizona, California, Colorado, Connecticut, Delaware, Hawaii, Illinois, Maine, Michigan, Minnesota, Missouri, Montana, Nebraska, New Jersey, New York, Ohio, Rhode Island, South Dakota, Vermont, Washington. Additionally, 48 cities and counties (mostly in California, Colorado, Washington) implemented local increases.

Source: [OnPay](#)

8. State Paid Sick Leave Laws: New Requirements and Expansions

Alaska (effective July 1, 2025), Missouri (effective May 1, 2025), and Nebraska (effective October 1, 2025) enacted new paid sick leave laws. California, Connecticut, Massachusetts, Michigan, Minnesota, and Washington expanded existing laws with new requirements effective in 2025. Michigan's Earned Sick Time Act (effective February 21, 2025) now applies to all employers including nonprofits.

Source: [Seyfarth Shaw LLP](#)

9. Multiple States Advancing Nonprofit Hospital Community Benefit Restrictions

Several states are considering legislation to restrict what qualifies as "community benefit" for nonprofit hospitals. Pending legislation aims to limit community benefits to uncompensated care, charity care below certain income thresholds, and care reimbursed below Medicaid rates. Some proposals mandate minimum charity care levels or establish investigations into relationship between tax exemptions and charity care provided.

Source: [National Council of Nonprofits](#)

10. New Mexico Lobbying Disclosure Enforcement Could Set Pattern for Other States

New Mexico Court of Appeals (April 1, 2025) ruled State Ethics Commission has jurisdiction to investigate nonprofit advocacy organizations for alleged violations of lobbying disclosure laws. The case involved New Mexico Families Forward's failure to disclose contributors to digital ad campaign. The court reversed a district court's grant of mandamus relief, confirming the Commission's statutory authority.

Source: [Pillsbury Law](#)

11. Florida SB700: "Foreign Countries of Concern" Restrictions Could Set a Pattern

Florida enacted SB700, requiring nonprofits registered to solicit donations in Florida to certify they do not receive donations from individuals or entities associated with China, Russia, Iran, North Korea, Cuba, Venezuela, or Syria. The law creates the "Honest Services Registry" for compliant organizations. It requires conflict of interest policy updates. Violations can result in civil/criminal penalties including cease-and-desist orders. Safe harbor exists for first-time inadvertent violations if promptly corrected.

Source: [Holland & Knight](#)

12. Hawaii Charitable Fundraising Platform Regulation (Effective July 1, 2026)

Hawaii amended a law regulating charitable fundraising platforms (following California's 2023 AB 488). Platforms that facilitate online charitable donations must register annually with the Attorney General, maintain records, provide fee disclosures, and obtain written consent from recipient charities. Motivated by concerns about legitimacy of Maui wildfire relief campaigns. Hawaii and California are the only two states with such legislation.

Source: [Perlman & Perlman](#)

Summary

2025 brought extraordinary change to the nonprofit sector, with major developments across federal policy, workforce management, IRS oversight, and state regulation. Federal actions—including DEI-related executive orders, funding freezes, shutdown disruptions, expanded investigations, and new requirements in grant administration and tax policy—forced nonprofits to adjust operations quickly.

Human-resources challenges intensified as organizations faced layoffs linked to federal funding cuts, revised overtime and contractor rules, PSLF uncertainty, and rising expectations for pay transparency

and workforce flexibility. At the same time, nonprofits accelerated the use of AI tools, expanded hybrid work, and invested more heavily in staff well-being and professional development.

IRS and financial developments added further complexity, including expanded e-filing requirements, delayed determination-letter processing, evolving guidance priorities, and heightened scrutiny of unrelated business income.

States also played a more active regulatory role, adopting new data-privacy rules, wage and leave laws, donor-protection measures, AI frameworks, and community-benefit requirements for hospitals.

Together, these developments made 2025 one of the most challenging years in recent memory. This recap provides nonprofit leaders with a clear summary of the most consequential changes to help prepare for the policy and operational environment of 2026.

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.

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