

## **Abstract**

The nonprofit sector enters 2026 facing sustained volatility shaped by unresolved federal regulatory pressures, workforce instability, shifting tax policy, and expanding state-level compliance requirements. This January 5, 2026 Navigator News Update presents a forward-looking outlook designed to help nonprofit leaders anticipate and respond to the most significant developments expected to influence nonprofit operations throughout the year ahead. This issue highlights emerging federal regulatory and operating challenges, evolving human resources trends, Internal Revenue Service and accounting developments, and complex state nonprofit compliance dynamics. Together, these insights provide nonprofit executives, board members, and advisors with a strategic framework for navigating continued uncertainty, strengthening organizational resilience, and sustaining mission impact in an unpredictable political, regulatory, and economic environment.

# **January 5, 2026 Navigator News Update: 2026 Nonprofit Organization Outlook**

**From Nonprofit Management Navigator**

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

## **Introduction**

As nonprofit organizations move into 2026, they do so amid lingering uncertainty and structural pressures that defined much of the prior year. Federal funding instability, regulatory scrutiny, workforce disruption, evolving tax policy, and expanding state-level compliance obligations continue to reshape the nonprofit operating environment. For many organizations, the pace and scope of change experienced during 2025 has challenged long-standing management assumptions and forced leaders to reevaluate financial, operational, and governance strategies.

This January 5, 2026 Navigator News Update is designed to provide nonprofit leaders with a practical outlook on the developments most likely to influence nonprofit performance and sustainability in the year ahead. Organized across four critical areas regularly covered by Nonprofit Management Navigator—federal regulatory and operating developments, human resources, IRS, accounting and finance, and state nonprofit trends—this issue offers forward-looking summaries intended to support strategic planning, risk assessment, and informed decision-making as nonprofits navigate another year of heightened uncertainty.

# We're Back

We begin by extending our best wishes to our readers for a happy, healthy, and successful New Year. This January 5 issue marks the return of our weekly Navigator News Updates following our brief year-end hiatus. Nonprofit Management Navigator remains committed to its mission of providing nonprofit executives, board members, and advisors with actionable management information they need to lead effectively amid growing economic uncertainty, political volatility, and regulatory complexity.

The January 5 edition of the Navigator is intentionally structured as a **2026 Nonprofit Outlook**. This issue provides forward-looking summaries and analysis of the key developments across four critical areas—federal regulatory and operating challenges, human resources trends, IRS, accounting and finance directions, and state nonprofit developments—that are likely to shape nonprofit management and determine organizational success throughout 2026.

This outlook complements our final 2025 Navigator Update published on December 15, 2025, which reviewed the major events and regulatory developments that defined the nonprofit operating environment during 2025. Together, the December 15 and January 5 issues offer nonprofit leaders a comprehensive picture of the forces that shaped the sector in 2025 and explains how those same forces are expected to continue influencing nonprofit strategy and operations in 2026. The December 15 issue remains available at **NonprofitManagementNavigator.com**.

While we have worked to identify the issues most likely to dominate the nonprofit landscape in 2026, we recognize that no single outlook can capture every emerging development. We invite readers to share additional topics or concerns they believe warrant coverage by emailing us at **contact@nonprofitmanagementnavigator.com**, and we will address appropriate items in future Navigator Updates.

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## 2026 Federal Regulatory & Operating Challenges

### Executive Summary

This section addresses the federal regulatory, policy, and operating developments that are expected to present the most significant challenges for nonprofit organizations during 2026. The summaries included below highlight major trends emerging from federal funding decisions, regulatory oversight priorities, tax policy changes, executive branch actions, and heightened political scrutiny of certain nonprofit mission areas.

The items presented are not intended to represent a complete or exhaustive list of federal developments affecting nonprofits. Additional developments may emerge during 2026 that are not included in this outlook. Collectively, however, these summaries reflect the core federal-

level pressures nonprofit leaders are likely to confront in the year ahead and underscore the need for proactive planning, diversified funding strategies, strong governance, and adaptive leadership.

## **Key 2026 Actions for This Section**

- Assess exposure to federal funding volatility and develop contingency operating plans
- Diversify revenue sources beyond federal grants and contracts
- Strengthen governance, compliance documentation, and internal controls
- Monitor IRS guidance, executive actions, and enforcement priorities
- Review fundraising strategies in light of evolving charitable tax policy
- Prepare for heightened scrutiny if operating in politically sensitive mission areas

**This section includes the 8 below 2026 Federal Regulatory & Operating Challenges summaries.**

### **1. Navigating 2026: Unprecedented Challenges in a Volatile Economic, Political, and Regulatory Landscape**

Nonprofits face extraordinary operational challenges in 2026 following 2025's federal funding cuts, longest-in-history government shutdown, and proposed 22.6% reduction in domestic discretionary spending. Organizations face increased political scrutiny, regulatory uncertainty, intense competition for private funding, rising demand amid reduced resources, and staff burnout. Government funding comprises 33% of nonprofit revenue; 60–80% of grant recipients risk insolvency without federal support. Organizations must diversify revenue streams aggressively, strengthen donor engagement, build financial reserves, develop contingency plans, advocate collectively for sector needs, invest in operational efficiency, and maintain mission focus despite unprecedented volatility requiring adaptive leadership and strategic resilience throughout this transformative period. Ultimately, the challenges of 2025 are likely to continue unabated in the new year.

Source: <https://tnpa.org/2025-nonprofit-policy-moments-and-a-2026-look-ahead/>

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### **2. IRS Compliance Priorities for 2026: Nonprofits Face New Scrutiny and Guidance Areas**

The IRS 2025–2026 Priority Guidance Plan emphasizes racial discrimination policies, DEI program legality, donor-advised fund oversight, and governance requirements. Reports indicate potential politically motivated investigations of nonprofits and donors. Organizations must prioritize accurate Form 990 filings, strengthen internal controls and conflict-of-interest policies, maintain detailed program documentation demonstrating mission alignment, monitor IRS guidance updates closely, and work with advisors to ensure all programs meet evolving compliance standards and avoid scrutiny or status revocation.

Source: <https://www.afslaw.com/perspectives/alerts/irs-and-treasury-release-2025-2026-guidance-plan-what-tax-exempt-organizations>

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### **3. Federal Grant Disruptions and Heightened Oversight: Critical Issue for Nonprofits in the New Year**

One-third of nonprofits experienced federal funding disruptions including cancellations, freezes, and stop-work orders in 2025. Political appointees now review all discretionary grants for alignment with administration priorities. Organizations in 2026 must immediately diversify revenue beyond federal sources, establish emergency operating reserves, strengthen grant compliance documentation and internal controls, maintain constant communication with program officers, develop contingency plans for award terminations, and prepare for potential program reductions and staff layoffs as funding uncertainty continues throughout 2026.

Source: <https://www.urban.org/research/publication/how-government-funding-disruptions-affected-nonprofits-early-2025>

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### **4. Uniform Guidance Single Audit Regime Changes: New Compliance Requirements Take Effect in the New Year**

The single audit threshold increased to \$1,000,000 in federal expenditures with stricter internal controls, cybersecurity standards, and documentation requirements. Organizations must assess whether they now meet audit thresholds, strengthen financial controls and grant management systems, enhance cybersecurity protocols, maintain rigorous documentation for compliance testing, prepare for integrated impact reporting connecting expenditures to outcomes, and ensure accounting systems can handle increased de minimis indirect cost rates and updated procurement thresholds.

Source: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-F>

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### **5. Federal Charitable Giving Tax Policy Shifts: Necessary 2026 Changes in Fundraising Strategy**

Tax year 2026 brings reinstated deductions for non-itemizers (\$1,000/\$2,000) but new 0.5% AGI floor for itemizers and reduced deduction rates. High-income donors may “bunch” gifts or use donor-advised funds. Nonprofits must immediately segment donors by giving behavior, update acknowledgment materials and gift acceptance policies, train development staff on new tax provisions, provide clear guidance on pledges and planned gifts, emphasize mission impact over tax benefits, and prepare for altered donation timing and restructured major gifts.

Source: <https://givingusa.org/adapting-to-charitable-tax-changes-what-nonprofits-need-to-know-for-2026-and-beyond/>

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## **6. Executive Orders Affecting DEI Programs and Related Federal Policy: A Key Watch Area for 2026**

Executive orders have declared DEI programs illegal and incompatible with civil rights law. Federal contractors and grantees must certify non-operation of DEI programs. Nonprofits face heightened legal scrutiny and compliance risks in 2026, particularly those with DEI-focused missions or receiving federal funding. Organizations should conduct immediate risk assessments, review all grant agreements for new certification requirements, consult legal counsel on program modifications, and document how diversity initiatives align with legal requirements to avoid investigations and funding loss.

Source: <https://www.elias.law/newsroom/client-alerts/trumps-anti-dei-executive-order-and-its-potential-impact-on-nonprofit-organizations>

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## **7. Increased Scrutiny of Nonprofits in Politically Sensitive Mission Areas: Monitoring Developments in 2026**

Nonprofits in civil rights, immigrant justice, environmental protection, reproductive health, and LGBTQ+ sectors face politically motivated investigations in 2026, public records requests, and funding restrictions. Organizations must strengthen governance immediately: maintain meticulous documentation of all activities and expenditures, ensure active board oversight of compliance risks, develop response protocols for regulatory inquiries, document clear mission alignment for advocacy work, and prepare for potential loss of federal funding by diversifying revenue sources and building cash reserves.

Source: <https://charitylawyerblog.com/2025/12/01/the-rising-politicization-of-the-nonprofit-sector/>

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## **8. Mexico City Policy Reinstatement: International Health Organizations Must Prepare for 2026 Impacts**

The reinstated Mexico City Policy prohibits foreign NGOs receiving U.S. global health funding from providing or promoting abortion services using any funds. Nearly \$7.3 billion in assistance is affected including PEPFAR, maternal health, and nutrition programs. International health nonprofits must immediately review grant compliance requirements, assess operational impacts on comprehensive service delivery, identify alternative funding sources, and prepare for potential

gaps in care for underserved global populations while maintaining mission-critical health services.

Source: <https://www.kff.org/global-health-policy/the-mexico-city-policy-an-explainer/>

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## 2026 Human Resources Trends

### Executive Summary

This section focuses on the human resources–related developments and workforce trends that are expected to significantly affect nonprofit organizations during 2026. The summaries below address changes in federal employment-related programs, evolving workforce expectations, persistent recruitment and retention challenges, compensation uncertainty, and the growing role of technology in nonprofit workplaces.

The items included are intended to highlight major HR developments and pressures likely to influence nonprofit talent strategies in 2026. They do not represent a complete inventory of all workforce-related issues nonprofits may encounter. Additional HR-related changes may emerge during the year. Collectively, however, these summaries underscore the central role of workforce stability, trust, flexibility, and compliance in sustaining nonprofit operations during another year of sector-wide volatility.

### Key 2026 Actions for This Section

- Monitor federal employment program eligibility and regulatory changes
- Strengthen employee communication, trust-building, and retention strategies
- Review compensation, classification, and overtime compliance practices
- Address burnout and psychological safety proactively
- Develop intentional hybrid and remote work policies
- Establish governance frameworks for responsible AI adoption in HR and operations

**This section includes the 8 below 2026 Human Resources Trends summaries**

#### **1. Public Service Loan Forgiveness: New Employer Eligibility Restrictions Effective July 2026**

The Department of Education finalized regulations effective July 1, 2026, granting authority to exclude nonprofit employers deemed to have “substantial illegal purpose” from PSLF eligibility. This unprecedented change affects employees at disqualified organizations who lose qualifying payment credits going forward, potentially adding years to loan repayment. Multiple lawsuits challenge the rule's legality. Nonprofits must monitor employer eligibility status developments, communicate potential PSLF risks to employees, maintain awareness of legal challenges that

could delay implementation, consider PSLF impacts when recruiting talent, and prepare contingency plans for employee retention if organizational eligibility is questioned, as uncertainty may affect workforce planning strategies throughout 2026.

Source: <https://independentsector.org/blog/public-service-loan-forgiveness-final-rule/>

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## **2. Rebuilding Organizational Trust: The Primary HR Challenge for Nonprofits in 2026**

Budget cuts, political pressures, and organizational disruptions have eroded trust within nonprofits, with employees experiencing burnout, unclear communication, and lack of psychological safety. This trust deficit threatens staff retention and mission delivery. Nonprofits must invest in emotionally intelligent leadership development, create safe channels for staff concerns, improve transparency in decision-making, and prioritize consistent communication. Organizations demonstrating authentic commitment to staff well-being will retain talent and deliver missions effectively while those that neglect trust-building risk losing both people and purpose in 2026.

Source: <https://www.philanthropy.com/opinion/new-challenges-to-nonprofit-operations-in-2026/>

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## **3. Nonprofit Hiring Trends: Budget Constraints and Skilled Worker Recruitment Challenges in 2026**

Budget pressures are forcing nonprofits to reconsider hiring plans, with organizations moving from 52% planning new hires at end of 2024 to only 38% in early 2026. Salary remains the top difficulty in filling positions (cited by 59% of organizations struggling with recruitment). Organizations must emphasize mission impact and meaningful work in recruitment, offer competitive benefits packages including flexibility when salary limitations exist, highlight professional development opportunities, streamline hiring processes to compete for talent, and leverage flexible work arrangements as retention tools. Strategic positioning of nonprofit value propositions beyond compensation will be essential given sustained fiscal constraints.

Source: <https://www.urban.org/research/publication/how-government-funding-disruptions-affected-nonprofits-early-2025>

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## **4. Employee Burnout and Psychological Safety: Critical New Year Nonprofit Workforce Concerns**

Ninety-five percent of nonprofit leaders report burnout concerns, with employees experiencing emotional exhaustion from excessive workloads, unclear communication, and lack of

psychological safety. Contributing factors include inability to pay living wages, high caseloads, and insufficient staffing. Organizations must implement structural changes including paid mental health days, flexible schedules, supervisor training in burnout recognition, regular workload reviews, clear after-hours boundaries, no-meeting days, and post-crisis debriefs. Proactive burnout prevention policies are essential for 2026 as staffing pressures remain high and workloads heavy.

Source: <https://www.nonprofitlearninglab.org/post/employee-burnout-prevention-self-care-supervision-and-hr-strategies>

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## **5. Staff Retention Crisis: Navigating Turnover Amid Constant Organizational Change in the Year Ahead**

Sixty-seven percent of nonprofit employees are actively job hunting or will be within a year, citing excessive workloads, limited growth opportunities, unsupportive management, and inadequate compensation. Turnover costs organizations 50–200% of employee salaries and undermines stakeholder relationships. Nonprofits must implement formal retention strategies including competitive compensation where possible, professional development opportunities, flexible work arrangements, mission impact visibility, strong onboarding programs, and succession planning. Organizations prioritizing retention through strategic HR investment will maintain continuity and strengthen capacity to achieve missions despite ongoing sector volatility.

Source: <https://candid.org/blogs/nonprofit-employees-survey-data-suggests-high-staff-turnover-ahead/>

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## **6. Federal Overtime Rule Uncertainty Continues: Monitoring Wage and Hour Developments in 2026 Will Be Essential**

The Department of Labor's 2024 overtime rule was vacated by courts, leaving employers operating under previous federal baseline salary thresholds while monitoring potential future regulatory action. This creates uncertainty for compensation planning and classification decisions. Nonprofits should review current exempt employee classifications for compliance with existing thresholds, monitor Department of Labor announcements for new rulemaking, maintain documentation of job duties supporting exemption determinations, prepare contingency budgets for potential salary threshold increases, and consult employment counsel before reclassifying positions. Staying informed about regulatory developments will be critical as overtime rules remain a watch item in 2026.

Source: <https://www.dol.gov/agencies/whd/overtime/salary-levels>

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## **7. Artificial Intelligence Integration: Transforming Nonprofit Functions and Operations in 2026**

Nonprofits are rapidly adopting AI for donor segmentation, grant writing, content marketing, and administrative automation, with 41% believing AI will greatly benefit operations despite 92% feeling unprepared. AI enables efficiency gains in fundraising, reduces administrative burdens, and allows staff focus on strategic relationship work. However, 76% lack AI policies and 70% have data privacy concerns. Organizations must develop formal AI strategies and policies, invest in staff AI literacy training, prioritize donor data security, evaluate AI tools for mission alignment, and establish ethical use guidelines. Strategic AI adoption in 2026 will position nonprofits competitively while maintaining stakeholder trust.

Source: <https://biztechmagazine.com/article/2025/12/tech-trends-2026-what-anticipate-nonprofit-sector>

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## **8. Hybrid Workforce Evolution: Remote and Flexible Work Trends in Nonprofits Through 2026**

Approximately 43% of nonprofit jobs are onsite, 38% hybrid, and 19% fully remote, with remote positions receiving nine times more applications than onsite roles. Eighty-eight percent of job seekers prefer remote work, and 76% of workers would quit if remote flexibility is removed. However, direct service positions require onsite presence creating equity concerns as entry-level roles are disproportionately onsite while leadership works remotely. Nonprofits in 2026 must develop intentional hybrid policies balancing operational needs with employee preferences, address equity issues between role levels, invest in collaboration technology, and use flexibility strategically for talent attraction and retention in competitive markets.

Source: <https://www.councilofnonprofits.org/articles/what-emerging-trends-tell-us-about-future-remote-work-nonprofit-sector>

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# **2026 IRS, Accounting & Finance Directions**

## **Executive Summary**

This section focuses on Internal Revenue Service priorities, accounting standards, audit requirements, and broader financial management trends that are expected to shape nonprofit financial operations during 2026. The summaries below highlight evolving federal compliance expectations, enhanced reporting requirements, tax policy changes affecting charitable giving, and growing demands from funders and boards for stronger financial resilience and accountability.

The developments included are intended to provide nonprofit leaders with insight into the most consequential IRS, accounting, and finance-related issues anticipated in 2026. They do not constitute a complete inventory of all financial or tax developments that may occur during the new year. Additional developments may emerge during the year. Together, however, these summaries underscore the increasing importance of financial governance, compliance readiness, and strategic financial planning in an environment of ongoing economic uncertainty.

## **Key 2026 Actions for This Section**

- Monitor IRS guidance and inflation-adjusted thresholds affecting exempt organizations
- Prepare for enhanced audit, reporting, and disclosure requirements
- Strengthen financial controls, forecasting, and reserve strategies
- Align financial reporting more closely with mission outcomes and impact
- Update fundraising strategies to reflect charitable tax policy changes
- Ensure systems and staff are prepared for expanded electronic filing and disclosure obligations

**This section includes the 8 below 2026 IRS, Accounting & Finance summaries**

### **1. OMB Compliance Supplement Updates: Enhanced Single Audit Testing Requirements for 2026**

OMB annually updates the Compliance Supplement defining what auditors test during single audits and what recipients and subrecipients must document for federal award compliance. The supplement provides program-specific compliance requirements and suggested audit procedures. With the single audit threshold now at \$1,000,000 in federal expenditures, more organizations will undergo these audits. Nonprofits must review updated Compliance Supplement sections for their federal programs, strengthen documentation of compliance with federal requirements, implement internal controls addressing all applicable compliance areas, prepare for increased auditor testing depth, train staff on program-specific requirements, and maintain comprehensive files demonstrating adherence to federal award terms.

Source: <https://www.grantthornton.com/insights/articles/audit/2025/snapshot/december/omb-compliance-supplement-released>

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### **2. Integrated Impact and Financial Reporting: Growing Expectations for Outcome-Based Financial Disclosure in 2026**

Boards and funders increasingly demand integrated reporting connecting financial resources to programmatic outcomes and mission impact. Traditional financial statements alone are insufficient; stakeholders expect clear linkages between dollars spent and results achieved. This trend reflects broader emphasis on accountability and effectiveness measurement. Organizations must develop frameworks linking financial data to program metrics, implement systems tracking costs per outcome or beneficiary served, prepare impact narratives supported by financial

analysis, train CFOs and program leaders to collaborate on integrated reporting, enhance Form 990 narratives demonstrating mission effectiveness, and consider adopting impact reporting standards. Strategic financial storytelling becomes essential for demonstrating value and maintaining stakeholder confidence.

Source: <https://www.bdo.com/insights/blogs/nonprofit-standard/2026-nonprofit-sector-outlook-predictions-and-priorities-for-boards-ceos-cfos-and-controllers>

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### **3. Mandatory E-Filing for Form 990 Series: Compliance Requirements for 2026**

Electronic filing is mandatory for most nonprofits, with Form 990-EZ required electronically for tax years ending July 31, 2021 and later. Form 990-N (e-Postcard) remains electronic-only for organizations with gross receipts under \$50,000. Failure to file for three consecutive years results in automatic revocation of tax-exempt status. Nonprofits must ensure proper e-filing systems are in place, file timely returns by the 15th day of the 5th month after fiscal year end, request six-month extensions via Form 8868 when needed, and implement board review processes to prevent consecutive non-filing that would trigger status revocation.

Source: <https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/federal-filing-requirements-nonprofits>

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### **4. Financial Resilience Amid Economic Pressures: Rising Costs and Revenue Volatility in the New Year**

Nonprofits face sustained financial pressure from rising operational costs, uneven revenue streams, delayed funding cycles, and economic uncertainty. Organizations report significant budget deficits and difficult trade-offs between staffing and programming. Building financial resilience requires developing diversified revenue strategies beyond federal sources, strengthening cash reserves and working capital, implementing robust financial forecasting and scenario planning, negotiating flexible payment terms with funders, reducing dependency on single revenue sources, monitoring cash flow projections weekly, and establishing contingency plans for funding disruptions. Strategic financial management is essential for organizational sustainability as economic challenges persist.

Source: <https://www.urban.org/research/publication/how-government-funding-disruptions-affected-nonprofits-early-2025>

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### **5. Major Charitable Deduction Changes: Tax Year 2026 Policy Shifts Affecting Fundraising Strategy**

Starting tax year 2026, significant charitable deduction changes take effect including universal above-the-line deduction for non-itemizers (\$1,000 single/\$2,000 joint), new 0.5% AGI floor for itemizers (deductions allowed only above threshold), and top-bracket value limitations. These changes will significantly alter donor giving patterns and nonprofit fundraising strategies. Organizations must segment donor communications by itemizer status, update fundraising materials explaining new deduction rules, educate major donors on AGI floor implications, train development staff on tax policy changes, prepare for potential giving pattern shifts, and develop strategies to maintain support from donors affected by new limitations.

Source: <https://givingusa.org/adapting-to-charitable-tax-changes-what-nonprofits-need-to-know-for-2026-and-beyond/>

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## **6. Enhanced Income Tax Disclosures (ASU 2023-09): New Requirements Effective 2026**

ASU 2023-09 requires enhanced income tax disclosures with detailed rate reconciliations and disaggregated tax payment information. Non-public business entities must adopt for fiscal years beginning after December 15, 2025 (2026 for calendar year-ends). Organizations must disaggregate income and tax expense between domestic and foreign operations and federal, state, and foreign components. Nonprofits should review tax provision processes, implement systems to collect granular data for new disclosure requirements, train staff on enhanced categorization standards, prepare for comparative period disclosures, and consult with tax accountants to ensure compliance with expanded reporting frameworks.

Source: <https://www.claconnect.com/en/resources/blogs/manufacturing/asc-740-and-asu-2023-09-the-new-landscape-of-income-tax-accounting>

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## **7. Current Expected Credit Loss Model (CECL): Ongoing Implementation Considerations for 2026**

CECL requires immediate recognition of expected credit losses over financial asset lifetimes using historical experience, current conditions, and reasonable forecasts. Effective for nonprofits since fiscal years beginning after December 15, 2022, many organizations continue refining methodologies. CECL applies to trade receivables from exchange transactions (ASC 606) but excludes contributions and pledges receivable under ASC 958. Organizations must pool assets with similar risk characteristics, document estimation methodologies thoroughly, evaluate economic forecasts impacting collectability, provide required disclosures on credit quality and loss estimates, and ensure allowance calculations reflect forward-looking information beyond historical patterns.

Source: <https://www.jrcpa.com/revisiting-current-expected-credit-losses-cecl-for-nonprofits/>

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## **8. Exempt Organization Inflation Adjustments: Updated Thresholds for Tax Years Beginning in 2026**

IRS annually adjusts exempt-organization tax items for inflation affecting various thresholds and limits applicable to nonprofits. For tax years beginning in 2026, these adjustments impact reporting requirements, excise tax thresholds, and other regulatory limits. Organizations must review updated inflation-adjusted amounts for Form 990 filing thresholds, unrelated business income tax exemptions, excess benefit transaction penalties, private foundation excise taxes, and other applicable limits. Nonprofits should monitor IRS announcements for final 2026 adjusted figures, update internal compliance monitoring systems, adjust budgets for threshold changes, and ensure proper application of inflation-adjusted amounts in tax filings and planning activities.

Source: <https://rsmus.com/insights/tax-alerts/2025/exempt-organization-inflation-adjusted.html>

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## **2026 State Nonprofit Trends**

### **Executive Summary**

This section of the January 5, 2026 Navigator News Update focuses on state-level nonprofit developments that are expected to significantly impact nonprofit operations, compliance obligations, fundraising, human resources, and governance during 2026 and beyond. The summaries included below highlight major regulatory, legal, and operational trends emerging across states, including expanding data privacy laws, increased enforcement of charitable solicitation requirements, evolving audit thresholds, fundraising platform regulation, payroll and compensation mandates, and renewed attention to corporate compliance and tax exemption status.

The items included in this section are not intended to represent a complete list of all state developments that may affect nonprofit organizations in 2026. Instead, these summaries provide a representative sampling of high-impact trends that nonprofit leaders should monitor closely as state regulatory environments continue to diverge and grow more complex.

### **Key 2026 Actions for This Section**

- Conduct a state-by-state compliance review covering fundraising, data privacy, audits, payroll, and tax exemptions
- Reassess multi-state registration and reporting systems to reduce enforcement risk
- Review vendor, fundraising platform, payroll, and HR data privacy obligations
- Update budgeting and compensation planning to reflect state wage and reporting mandates

- Confirm corporate good standing, registered agent status, and state tax exemptions in all applicable jurisdictions

**This section includes the 10 below 2026 State Nonprofit Trends summaries**

### **1. State Data Privacy Laws: Varying Nonprofit Exemptions Across Jurisdictions in 2026**

Multiple states have enacted comprehensive data privacy laws with inconsistent nonprofit exemptions, creating complex compliance landscapes. Some states exempt nonprofits entirely, others exempt only specific nonprofit activities, and some provide no exemptions. New laws take effect January 1, 2026, in several jurisdictions with additional data rights, notice, contract, and assessment requirements. Organizations must conduct jurisdiction-specific applicability assessments for each state where they operate, review data collection and processing practices, implement required privacy notices and consent mechanisms, update vendor contracts with data protection provisions, train staff on state-specific privacy requirements, and establish processes for responding to consumer data rights requests where applicable.

Source: <https://www.afslaw.com/perspectives/privacy-counsel/new-year-new-privacy-obligations>

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### **2. Intensifying Multi-State Registration Enforcement: Increased Scrutiny of Charitable Solicitation Compliance in 2026**

State enforcement of charitable solicitation registration requirements is increasing, with regulators more actively identifying and penalizing non-compliant organizations. Approximately 40 jurisdictions require registration before soliciting donations, including online fundraising. Enforcement actions can result in substantial penalties, cease-and-desist orders, and reputational damage. Organizations must conduct comprehensive registration compliance audits identifying all states where they solicit, complete initial registrations before any solicitation begins, maintain timely annual renewal filings to avoid late penalties, implement systems tracking multi-state registration deadlines, include required disclosure statements on solicitation materials, and consider professional registration services to manage complex multi-state requirements efficiently.

Source: <https://www.councilofnonprofits.org/running-nonprofit/fundraising-and-resource-development/charitable-solicitation-registration>

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### **3. Varying State Audit Requirements: Revenue-Based Thresholds Triggering Mandatory Audits in 2026**

States impose varying audit requirements based on revenue thresholds, with some requiring audits at lower levels than federal single audit requirements. Requirements differ significantly by state, creating complex compliance obligations for multi-state organizations. Some states also mandate specific audit report filing with state agencies. Failure to obtain required state audits can jeopardize state registrations and funding. Organizations must identify applicable state audit thresholds in all jurisdictions where registered, engage qualified auditors familiar with state-specific requirements, file audit reports with appropriate state agencies by deadlines, budget for state-mandated audits even when below federal thresholds, and monitor state threshold changes that may trigger new audit obligations for growing organizations.

Source: <https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/federal-filing-requirements-nonprofits>

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#### **4. State Regulation of Fundraising Platforms: New Registration and Disclosure Rules in 2026**

States are implementing new regulations governing charitable fundraising platforms and platform-related fundraising compliance, with notable 2026 implementation timelines in Hawaii and other jurisdictions. These regulations address registration requirements, disclosure obligations, and platform accountability for charitable solicitations. Platform regulations affect both the platforms themselves and nonprofits using them. Nonprofits must understand platform registration obligations in states where they fundraise, ensure platforms used comply with state-specific regulations, review platform agreements for compliance responsibility allocation, verify platforms provide required donor disclosures, monitor emerging state platform regulations, and consider compliance implications when selecting fundraising technology vendors to avoid regulatory violations affecting fundraising operations.

Source: [https://thenonproffitimes.com/npt\\_articles/states-eye-new-regulation-of-fundraising-platforms/](https://thenonproffitimes.com/npt_articles/states-eye-new-regulation-of-fundraising-platforms/)

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#### **5. Expanded State Pay Data Reporting: New Recordkeeping Requirements for Nonprofits in 2026**

Multiple states are expanding pay data reporting and recordkeeping requirements, affecting nonprofits meeting size or coverage thresholds. These laws require detailed compensation data submissions, pay equity analyses, and enhanced recordkeeping beyond federal EEO-1 reporting. Requirements vary significantly by state with different thresholds, filing deadlines, and data elements. Non-compliance can result in penalties and public disclosure issues. Organizations must determine which state pay reporting laws apply based on employee counts and locations, collect and maintain required compensation data by protected categories, conduct internal pay equity analyses to identify potential disparities, file required pay data reports with state agencies

by deadlines, and implement systems ensuring accurate ongoing pay data collection and retention.

Source: <https://tnpa.org/get-involved/policy-in-the-states/>

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## **6. State Minimum Wage Increases: Payroll Cost Pressures Effective January 1, 2026**

Nineteen states and 49 cities/counties are raising minimum wages effective January 1, 2026, with more than 8.3 million workers affected. Increases range from modest inflation adjustments to significant jumps like Nebraska reaching \$15 per hour. These changes create wage compression issues and budgeting pressures for nonprofits operating on tight margins. Organizations must update payroll systems immediately, review entire compensation structures for internal equity, post updated workplace notices, budget for cascading wage adjustments beyond minimum wage earners, and consider benefit adjustments if salary increases are limited. Strategic compensation planning is essential to maintain competitiveness and fairness.

Source: <https://thehill.com/homenews/state-watch/5641510-minimum-wage-increasing-states-2026/>

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## **7. Pay Transparency Expansion: Compliance Requirements Spreading Across Multiple States in 2026**

Sixteen states now have pay transparency laws requiring salary range disclosures in job postings, with additional jurisdictions implementing requirements throughout 2026. Laws vary significantly regarding timing, scope, and employee size thresholds. Nonprofits must review all job postings for compliance with applicable state and local laws, establish good-faith methodologies for determining pay ranges, update recruitment materials and processes, train hiring managers on transparency requirements, ensure remote job postings comply with multiple jurisdictions, and prepare for enforcement actions. Multi-state organizations face particular complexity navigating patchwork regulations requiring location-specific compliance strategies.

Source: <https://www.hunton.com/hunton-retail-law-resource/several-states-enact-pay-transparency-laws-what-employers-need-to-know-in-2026>

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## **8. Payroll and HR Privacy Requirements: Tightening Data Protection Standards in 2026**

Multiple jurisdictions are implementing stricter requirements and controls around employee data privacy, affecting payroll and HR recordkeeping practices. New regulations address data collection, storage, access, sharing, and retention with varying state-level requirements.



Nonprofits must conduct data privacy audits of current practices, implement enhanced access controls and encryption for employee information, update privacy policies and employee notices, train HR staff on data protection requirements, establish secure data disposal procedures, and review vendor contracts for compliance with privacy standards. Organizations handling employee data across multiple jurisdictions face increased compliance complexity requiring systematic privacy management approaches.

Source: <https://tax.thomsonreuters.com/news/payroll-privacy-rules-are-tightening-what-payroll-and-hr-need-to-know-before-2026/>

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## **9. Annual Corporate Filings and Registered Agent Requirements: State-Level Compliance Essentials for 2026**

States require nonprofits to file annual corporate reports and maintain registered agents to preserve corporate good standing status. Failure to file results in administrative dissolution, late fees, and loss of legal protections. Good standing is prerequisite for amending articles, changing names, merging, or maintaining tax-exempt status in many jurisdictions. Organizations must file annual reports timely in incorporation state and foreign qualification states, maintain current registered agent in each state, update registered agent information when changes occur, monitor state notices sent to registered agent addresses, pay annual report fees and franchise taxes where applicable, and restore good standing immediately if administratively dissolved to avoid compounding penalties and legal complications.

Source: <https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/federal-filing-requirements-nonprofits>

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## **10. State Tax Exemption Applications and Renewals: Distinct Requirements from Federal Status in 2026**

Federal tax-exempt status does not automatically confer state tax exemptions. Most states require separate applications for income tax, sales tax, and property tax exemptions, with varying renewal requirements. Some states require periodic renewals or re-applications; others grant permanent exemptions subject to ongoing compliance. Losing state exemption status can result in unexpected tax liabilities and operational disruptions. Nonprofits must file state-specific tax exemption applications in each jurisdiction where they operate or own property, track state exemption renewal deadlines and requirements, maintain documentation supporting state exemption eligibility, file required annual reports to preserve state exemptions, and understand which activities may be taxable despite exempt status in specific states.

Source: <https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/federal-filing-requirements-nonprofits>

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## Summary

The January 5, 2026 Navigator News Update provides a comprehensive outlook on the key forces expected to shape nonprofit operations, governance, compliance, and sustainability throughout 2026. Following one of the most tumultuous years the nonprofit sector has faced, marked by federal funding disruptions, regulatory uncertainty, workforce instability, and growing economic pressure, 2026 is expected to largely extend and intensify the challenges that emerged in 2025.

This issue examines anticipated developments across four critical areas that nonprofit leaders must actively manage in the year ahead: federal regulatory and operating challenges, human resources trends, IRS, accounting and finance directions, and state-level nonprofit developments. Each section includes focused summaries of major developments and emerging trends that are likely to have material impacts on nonprofit strategy, risk management, staffing, fundraising, financial oversight, and compliance obligations.

While not exhaustive, the summaries included in this 2026 Nonprofit Outlook are intended to provide nonprofit leaders with actionable insight into the most significant issues shaping the operating environment. Together with the December 15, 2025 Navigator News Update, which reviewed the events that defined the nonprofit sector in 2025, this issue offers a forward-looking framework to help nonprofit organizations prepare for continued volatility, heightened scrutiny, and evolving regulatory demands in 2026.

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## 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.

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