

Abstract

The March 23, 2026 Navigator News Update highlights a rapidly evolving regulatory and compliance environment for nonprofit organizations. Federal enforcement initiatives, expanded fraud investigations, new grant certification requirements, and evolving legal boundaries surrounding diversity, equity, and inclusion programs are reshaping the risk landscape for nonprofit leaders. At the same time, cybersecurity threats, federal funding disruptions, and international security developments create additional operational pressures. This edition of Nonprofit Management Navigator provides curated analysis of the most important nonprofit news, federal regulatory developments, and governance issues affecting the sector this week.

March 23, 2026 Navigator News Update: Including Federal Grant Certification Risks, Defining Illegal DEI, Expanding Nonprofit Fraud Enforcement and More

From Nonprofit Management Navigator

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

Introduction

Nonprofit organizations continue to face a rapidly changing regulatory and operational environment in 2026. Federal enforcement priorities, grant compliance rules, and evolving legal interpretations of diversity, equity, and inclusion initiatives are creating new governance challenges for nonprofit boards and executives. At the same time, developments involving cybersecurity risks, federal funding disruptions, and international security concerns are shaping the broader context in which nonprofit organizations operate. This edition of the Navigator News Update highlights the most important recent developments affecting nonprofit organizations across regulatory, governance, human resources, financial, and state policy domains. Each summary identifies emerging risks and operational considerations nonprofit leaders should monitor closely while preparing their organizations for continued regulatory and funding uncertainty

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Priority Legend

Priority indicators help nonprofit leaders quickly identify which developments require their most immediate attention based on urgency and operational impact.

-  Immediate Action
-  Requires Organizational Response
-  Monitor and Prepare

Nonprofit News & Federal Regulatory Developments

Executive Summary:

Federal regulatory developments during the past week highlight expanding oversight of nonprofits participating in federal programs, growing legal scrutiny of diversity and inclusion initiatives, and increasing governance expectations tied to federal funding. New federal task force initiatives, proposed grant certifications, evolving court decisions on DEI programs, and strengthened enforcement tools under existing grant and fraud statutes signal a period of heightened compliance risk. Nonprofit leaders should closely monitor federal policy developments while ensuring that governance, documentation, and compliance systems are capable of withstanding increased regulatory scrutiny.

Key Actions for This Section:

- Review federal grant compliance policies and certifications with legal counsel.
- Strengthen internal controls and documentation for federally funded programs.
- Conduct a governance review of DEI-related employment or program initiatives.
- Confirm cybersecurity safeguards and incident response planning.

- Assess potential financial exposure tied to federal funding disruptions.
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● Trump Signs Executive Order Establishing Vance-Led Task Force to Eliminate Fraud

President Trump signed an executive order on March 16, 2026, establishing the Task Force to Eliminate Fraud, chaired by Vice President JD Vance with FTC Chairman Andrew Ferguson as vice chair. The Task Force will coordinate a government-wide strategy to combat fraud in federally funded benefit programs. The order explicitly names nonprofit organizations as subject to audit, authorizes pausing of federal funds during investigations, and directs the Attorney General to promote False Claims Act whistleblower suits against benefits program administrators.

Source: [White House – Establishing the Task Force to Eliminate Fraud \(March 16, 2026\)](#)

● Proposed Federal Grant Certifications Would Expose Nonprofits to Criminal and Civil Liability: March 30 Comment Period Deadline

Proposed changes to SAM.gov would require all federal grant applicants to sign new certifications — enforceable under criminal and civil law — affirming compliance with the administration's anti-DEI, anti-immigration, and anti-terrorism interpretations. The vague requirements make compliance nearly impossible to verify. Nonprofits face legal harassment risk and may abandon federal funding altogether. Public comments are due March 30. Organizations should review the proposal with legal counsel immediately and submit comments.

Source: <https://www.federalregister.gov/documents/2026/01/28/2026-01676/information-collection-system-for-award-management-registration-requirements-for-financial>

● New DOJ Fraud Division Could Bring More Scrutiny to Federally Funded Nonprofits

The Justice Department's new national fraud enforcement division could have important consequences for nonprofits that receive federal funds or administer public-benefit programs. The division is intended to expand civil and criminal fraud enforcement involving federal programs, and the White House framed the initiative as a major national priority. For nonprofits, this increases the importance of documentation, internal controls, subcontractor oversight, and careful certification practices. Even organizations acting in good faith may face more scrutiny in this environment.

Source: [Foley – DOJ Creates New National Fraud Division](#)

● Proposed Federal Grant Portal Changes Could Increase Compliance Risk

A March proposal affecting the federal grant portal is drawing sharp concern from nonprofit advocates because it would require new certifications tied to executive orders before organizations can access federal funding. Sector leaders warn the language is broad, legally uncertain, and could expose nonprofits to audits, investigations, or grant denials even when organizations are trying to comply in good faith. For nonprofits that depend on federal awards, this is both a funding and governance issue requiring immediate legal and board attention.

Source: [Council of Nonprofits – Proposed Changes to Federal Grant Portal Could Disrupt Nonprofits and Harm Communities Nationwide](#)

Nonprofits Urged to Push Back on New Federal Grants Paperwork

The NonProfit Times reported that nonprofit leaders are being urged to challenge new federal grant paperwork because the proposed certifications are unclear and may create legal exposure without giving organizations clear standards for compliance. Smaller nonprofits could be hit especially hard because they often lack in-house counsel and compliance staff. The larger risk is not just administrative burden but uncertainty itself: organizations may hesitate to pursue federal grants at all, which would weaken services in communities already under financial stress.

Source: [The NonProfit Times – NPOs Urged To Fight New Federal Grants Paperwork](#)

DEI Executive Orders Survive Appeals Court — Nonprofit Compliance Obligations Clarified

On February 7, 2026, the Fourth Circuit Court of Appeals vacated a lower court injunction, allowing the Trump administration's anti-DEI executive orders to remain in effect. The court confirmed that the DEI certification requirement — requiring federal contractors and grant recipients to certify they do not operate 'illegal DEI' programs — is facially valid. Nonprofits with federal contracts or grants must review their employment programs for compliance and document neutral, merit-based justifications for all hiring and promotion decisions.

Source:

<https://www.duanemorris.com/alerts/executive-orders-targeting-diversity-equity-inclusion-stand-after-appeals-court-vacates-0226.html>

EEOC Chair Issues DEI Compliance Warning to Fortune 500 — Nonprofits Should Take Heed

On February 26, 2026, EEOC Chair Andrea Lucas sent a formal letter to CEOs, general counsels, and board chairs of the nation's 500 largest companies, warning that DEI programs violating Title VII will face aggressive enforcement. The EEOC, having recently regained a quorum, signaled it will pursue systemic cases and pattern-and-practice

lawsuits. Nonprofits running mentorships, fellowships, or employee resource groups with eligibility tied to protected characteristics face the same exposure.

Source: <https://www.eeoc.gov/newsroom/eeoc-chair-issues-reminder-letter-fortune-500-regarding-title-vii-compliance-related-dei>

● **Federal Courts Continue Defining Legal Boundaries of “Illegal DEI” Programs**

Federal courts are beginning to shape the legal boundaries surrounding diversity, equity, and inclusion initiatives following recent federal executive actions targeting certain DEI programs. Legal experts note that many nonprofit organizations, universities, and foundations are reviewing grant criteria, hiring policies, and program eligibility requirements to ensure compliance with evolving federal guidance. Early litigation suggests courts will evaluate whether programs constitute unlawful discrimination under federal civil rights statutes or remain permissible diversity initiatives. Nonprofit boards are increasingly seeking legal reviews of DEI policies to avoid potential enforcement actions.

Source: [Sullivan & Cromwell – Key Updates in the Evolving DEI Legal Landscape](#)

● **Federal Appeals Court Blocks Trump Administration's Sweeping Federal Funding Freeze—Ruling Does Not Affect Nonprofit Grants**

On March 16, 2026, the U.S. Court of Appeals for the First Circuit largely upheld a lower court injunction blocking the Trump administration's sweeping freeze on up to \$3 trillion in federal financial assistance. The court found that OMB failed to consider recipients' reliance interests when directing agencies to freeze obligated funds categorically. The injunction remains in place. However, the court partially narrowed the ruling, holding that claims for specific money owed must be pursued in a specialized federal court. The administration may appeal to the Supreme Court. For nonprofits, this ruling does not restore individually terminated grants — those remain subject to separate legal and administrative processes — but it reinforces that a blanket, categorical funding freeze is legally impermissible. Organizations should continue monitoring for Supreme Court review.

Source: Reuters via Bangor Daily News — Trump Administration Cannot Implement 'Sweeping' Funding Freeze, US Court Rules (March 16, 2026):
<https://www.bangordailynews.com/2026/03/17/nation/trump-funding-freeze-court-ruling/>

● **Combined Federal Campaign Charity Portal Goes Dark — Future of Program Uncertain**

The Office of Personnel Management shut down the CFC Charity Portal on March 4 before 2025 campaign contributions were fully disbursed, cutting off thousands of nonprofits from disbursement data and donor records. No 2026 charity applications are being accepted, and

the program's future is in question. Nonprofits relying on this \$66-million-a-year federal workplace giving campaign should immediately assess the revenue impact and develop alternative donor engagement strategies.

Source: <https://www.philanthropy.com/news/the-combined-federal-campaign-goes-dark/>

🟡 **Court Blocks Fast-Track Immigration Appeals Rule Opposed by Nonprofits**

On March 9, a federal judge blocked a Trump administration rule that would have sharply accelerated dismissals of immigration appeals. Reuters reported that nonprofit legal and social-service groups challenging the rule argued it would undermine due process and overwhelm an already strained immigration system. For nonprofits serving immigrant communities, the decision matters operationally as much as legally: rapid procedural changes can quickly increase caseloads, staff strain, and client confusion. The ruling offers temporary relief but not long-term certainty.

Source: [Reuters – US Judge Blocks Trump Bid to Fast-Track Dismissals of Immigration Appeals](#)

🟡 **IRS and Treasury Signal Important New Guidance for 501(c)(3)s**

Treasury and the IRS have signaled that guidance affecting 501(c)(3) organizations is moving forward under the 2025–2026 Priority Guidance Plan. Two areas stand out for nonprofits: the Johnson Amendment’s ban on political campaign intervention and the public-policy doctrine as applied to tax-exempt status. Even before guidance is issued, these topics should put charities, private schools, and foundations on alert. Boards and executives may need to revisit compliance training, public statements, and politically adjacent activities.

Source: [Harmon Curran – Treasury and IRS Announce Significant Upcoming Guidance for 501\(c\)\(3\) Organizations](#)

🟡 **Election-Year Rules Raise Fresh Compliance Risks for Charities**

With the 2026 election cycle underway, charities and private foundations are being reminded that 501(c)(3) status comes with strict political boundaries. Organizations should refresh internal rules on candidate appearances, voter engagement, issue advocacy, and communications that could be construed as campaign intervention. The risk for nonprofits is not only an IRS problem but also reputational damage and board exposure if internal controls are weak. This is a timely moment for policy review and staff retraining.

Source: [JD Supra – Election Year 2026: A 501\(c\)\(3\) Compliance Refresher for Charities and Private Foundations](#)

🟡 Federal Grant Oversight Expands Under Updated Uniform Guidance Compliance Reviews

Federal agencies continue strengthening oversight of nonprofit grant recipients through updated enforcement of the federal Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly known as Uniform Guidance. Auditors are increasingly focusing on documentation of allowable costs, internal controls, and subrecipient monitoring. Nonprofits receiving federal funding are being advised to review procurement procedures, time-and-effort reporting systems, and grant accounting practices. Compliance failures may lead to repayment obligations, funding suspensions, or exclusion from future federal grant opportunities.

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

🟢 Federal Agencies Encourage Stronger Risk Management in Nonprofit Governance

Federal oversight agencies and nonprofit governance experts increasingly emphasize enterprise risk management as a critical board responsibility. Risk frameworks encourage nonprofit boards to evaluate financial, regulatory, cybersecurity, operational, and reputational risks across the entire organization. Governance specialists note that fragmented oversight often leaves organizations vulnerable to emerging threats. Implementing structured risk assessment processes allows nonprofit leaders to prioritize resources, strengthen compliance systems, and improve strategic planning during periods of heightened regulatory and economic uncertainty.

Source: [National Council of Nonprofits – Nonprofit Risk Assessment Checklist for Federal Funding](#)

🔴 Nonprofit Cybersecurity Threats Increase as Sector Becomes Prime Target

Cybersecurity researchers report a growing number of ransomware and phishing attacks targeting nonprofit organizations, particularly healthcare providers, universities, and social service agencies. Nonprofits often maintain extensive donor databases and sensitive personal information but typically operate with limited cybersecurity budgets, making them attractive targets for cybercriminals. Experts recommend that nonprofits implement multifactor authentication, employee phishing training, and incident response planning. Federal agencies continue urging nonprofit organizations to treat cybersecurity as an enterprise-wide governance issue requiring board oversight and risk management integration.

Source: [CISA – Malware, Phishing, and Ransomware Resources](#)

🔴 US-Iran Military Conflict: Ongoing Operational and Safety Risks for Nonprofits

The US-Israel military operation against Iran (Operation Epic Fury), which began February 28, remains active as of March 23. The State Department's Worldwide Caution remains in effect, and DHS warnings of Iran-linked retaliatory cyberattacks against US targets continue. International nonprofits should keep non-essential Middle East travel paused, maintain activated emergency protocols, and confirm staff enrollment in STEP (step.state.gov). All nonprofits should verify that cybersecurity protections — multifactor authentication, patching, and incident response plans — are current.

Source: <https://travel.state.gov/en/international-travel/travel-advisories/global-events/worldwide-caution.html>

● **DHS Partial Shutdown Enters Its Sixth Week — FEMA Grants and the Nonprofit Security Grant Program Remain Frozen**

The DHS partial shutdown, which began February 14, remains unresolved with no deal in sight. FEMA is operating in emergency-only mode. The \$300 million FY2026 Nonprofit Security Grant Program remains entirely inaccessible, leaving thousands of high-risk nonprofits awaiting awards indefinitely. Organizations should confirm cash-flow sufficiency for FEMA-dependent programs, document all shutdown-period expenses for future reimbursement, and communicate proactively with subawardees. Plan for a post-shutdown processing backlog that could delay disbursements for weeks.

Source: <https://grantedai.com/blog/news/dhs-shutdown-begins-what-grant-seekers-need-to-know-amid-federal-funding-uncerta>

● **Foreign Funding Disclosure Legislation Targeting Nonprofits**

Multiple bills in the 119th Congress would expand disclosure and registration obligations for nonprofits receiving foreign funding. H.R. 3966 would require annual disclosure of contributions over \$10,000 from foreign governments. The FRONT Act (S. 2305) could require FARA registration for any nonprofit receiving even minimal funding from countries of concern. A February 10 House Ways and Means hearing signaled sustained congressional scrutiny. Five states have enacted “mini-FARA” laws. Legal counsel review of all foreign funding sources is urgent.

Source: <https://www.congress.gov/bill/119th-congress/house-bill/3966/text>

Human Resources Developments

Executive Summary:

Federal employment enforcement trends are creating new compliance risks for nonprofit employers. Recent EEOC enforcement actions, evolving interpretations of diversity and inclusion programs, pregnancy accommodation enforcement, and renewed federal

attention to worker classification and wage-and-hour compliance signal a period of heightened scrutiny. Nonprofit leaders should treat these developments as governance issues requiring careful review of employment practices, training programs, and workplace policies to reduce litigation and enforcement risk.

⚡ Key Actions for This Section:

- Review DEI-related employment programs with employment counsel.
- Ensure networking events, fellowships, and leadership programs are open to all employees.
- Update harassment and discrimination policies to align with current law.
- Implement clear procedures for handling pregnancy accommodation requests.
- Audit contractor relationships and wage-and-hour compliance systems.

● EEOC Escalates "Reverse Discrimination" Enforcement — Implications for Nonprofit HR Programs

EEOC Chair Andrea Lucas has publicly invited white male employees to file discrimination claims and signaled that 2026 will see aggressive EEOC pursuit of majority-group discrimination cases. The agency is already investigating major employers' DEI hiring practices. Nonprofits with employee development programs, diversity fellowships, or affinity group structures that limit access by protected characteristics should review those programs with employment counsel immediately.

Source:

<https://www.hrdive.com/news/eec-spotlight-reverse-bias-in-2026/811938/>

● EEOC Sues Employer Over Women-Only Networking Event — A Direct Warning for Nonprofits

On February 17, 2026, the EEOC filed suit against a beverage distributor, alleging that a company-sponsored, women-only two-day networking retreat violated Title VII by excluding male employees. The agency seeks class-wide monetary and emotional distress damages. Nonprofits that host gender- or identity-targeted professional development events, leadership forums, or paid networking programs face identical legal exposure. All employer-sponsored events should be open to employees regardless of protected characteristics.

Source: Buchanan Ingersoll & Rooney, February 2026: <https://www.bipc.com/the-eecs-sex-discrimination-lawsuit-against-coca-cola-beverages-northeast-and-its-implication-for-employers-and-dei-initiatives>

● Rescission of Harassment Guidance: What Nonprofit Employers Must Do Now

The EEOC's rescission of the 2024 Harassment Guidance eliminates the agency's detailed examples of unlawful conduct — including guidance on pronoun use and restroom access — and signals a reorientation of enforcement priorities. Importantly, Title VII and the Supreme Court's Bostock ruling remain binding. Nonprofits should audit anti-harassment policies against current federal, state, and local law, reinforce manager training, and document their compliance posture while monitoring for replacement guidance.

Source:

<https://www.jacksonlewis.com/insights/eec-rescinds-enforcement-guidance-harassment-workplace>

PWFA Enforcement Reminder Arrives Through EEOC Subpoena Action

A March 2026 EEOC subpoena enforcement action against JamRock Solutions underscores that the Pregnant Workers Fairness Act is not just a policy issue but an active enforcement issue. The EEOC stated that employers must provide reasonable accommodations for known pregnancy-related limitations and warned that it will go to court when employers do not comply with investigative demands. For nonprofits, the message is straightforward: pregnancy accommodation requests require prompt, documented handling, and incomplete responses to EEOC investigations can quickly escalate into costly litigation and reputational risk.

Source:

EEOC – EEOC Files Subpoena Enforcement Action Against JamRock Solutions

DOL Proposal Keeps Worker Classification Under Federal Review

The U.S. Department of Labor proposed a rule on February 26, 2026, clarifying employee versus independent contractor status under federal wage and hour law, with comments due April 28, 2026. The DOL also continues to emphasize that misclassification can trigger unpaid wages, liquidated damages, civil penalties, and legal fees. For nonprofits, this matters because many organizations rely on consultants, trainers, fundraisers, and project-based staff. HR and finance teams should review independent contractor relationships now rather than wait for a wage-and-hour investigation to reveal problems.

Source:

<https://www.dol.gov/newsroom/releases/whd>

DOL Wage Enforcement Underscores Overtime Risk for Employers

A March 11, 2026 DOL enforcement announcement recovering more than \$1 million in back wages and damages for warehouse workers is a fresh reminder that overtime and minimum wage enforcement remains active. Although the case did not involve a nonprofit, the lesson is directly relevant to nonprofit employers with hourly staff, shift work, or weak timekeeping systems. Organizations facing budget pressure may be

tempted to stretch scheduling or compensation practices, but federal wage-and-hour violations can quickly become expensive and disruptive.

Source:

<https://www.dol.gov/newsroom/releases>

● PSLF “Substantial Illegal Purpose” Rule Takes Effect July 1, 2026 — 15 Weeks Away

The Department of Education's final rule allowing the Secretary to strip nonprofits of PSLF qualifying status for a “substantial illegal purpose” takes effect July 1, 2026. Three active lawsuits have been filed; no injunction has been issued. If an employer is disqualified, employee loan payments cease counting toward forgiveness from that date forward. Nonprofits in immigration, health care, or DEI-related work face the greatest exposure. Brief the board, consult legal counsel, and communicate proactively with PSLF-reliant staff now.

Source:

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

IRS, Accounting, and Finance Developments

In addition to the nonprofit IRS, finance, and accounting developments summaries included in this section, this week's special Navigator Update section also highlights key issues involving current IRS compliance and nonprofit governance.

Executive Summary:

IRS enforcement and compliance expectations for tax-exempt organizations continue to intensify as the 2026 election cycle approaches and new federal tax provisions take effect. Nonprofits face heightened scrutiny of political activity, executive compensation, Employee Retention Credit claims, and governance practices tied to tax-exempt status. At the same time, technical regulatory changes involving Form 8976 filing, single-audit thresholds, and indirect cost rules require operational adjustments within nonprofit finance systems. Boards and financial leaders should treat these developments as governance priorities requiring proactive compliance planning.

Key Actions for This Section:

- Confirm all Form 990 filing calendars and extension procedures are in place.
- Review executive compensation arrangements for potential Section 4960 exposure.
- Audit documentation supporting Employee Retention Credit claims.
- Update internal accounting systems to reflect new single-audit and indirect cost rules.
- Review internal policies governing political activity and advocacy.

● **IRS Audit and Tax-Exempt Status Revocation: What the Rules Actually Require**

Amid widespread concern about politically motivated IRS scrutiny of nonprofits, The tax-exempt status cannot be revoked by executive order — it requires an individual audit, opportunity for defense, and IRS appeals process. However, three consecutive years of non-filing of Form 990 triggers automatic revocation. Nonprofits should maintain strict filing compliance and document governance practices, as IRS audits of DEI-related programs and immigration-adjacent activities are increasingly reported.

Source:

<https://www.tenenbaumlegal.com/nonprofits-under-fire-how-the-irs-can-and-cannot-revoke-federal-tax-exempt-status/>

● **IRS Expands Enforcement Focus on Tax-Exempt Organization Compliance**

The Internal Revenue Service has continued expanding compliance initiatives targeting tax-exempt organizations, focusing on governance failures, political activity violations, and improper private benefit transactions. IRS officials recently indicated that enforcement resources allocated to nonprofit compliance are increasing as part of broader tax administration modernization efforts. Nonprofit advisors warn that organizations should review internal controls, conflict-of-interest policies, and documentation supporting executive compensation decisions. Increased scrutiny is also expected for organizations engaged in advocacy activities close to the limits of permitted lobbying and political intervention.

Source:

IRS – Tax-Exempt & Government Entities: Compliance Program and Priorities

● **501(c)(3) Political Activity Guardrails: What the 2026 Election Cycle Requires of Nonprofits**

With 2026 midterms underway, the prohibition on 501(c)(3) political campaign intervention remains absolute for all secular charities and educational organizations—regardless of ongoing Johnson Amendment litigation. Permissible activities include voter education, nonpartisan candidate forums, and issue advocacy, provided no candidate endorsement occurs. The IRS's 2025–2026 Priority Guidance Plan explicitly prioritizes Johnson Amendment guidance, signaling heightened scrutiny across the sector. Nonprofits should document all advocacy activities, train staff on the boundaries, and consult legal counsel before implementing any election-adjacent programming.

Source:

Internal Revenue Service — Restriction of Political Campaign Intervention by Section 501(c)(3) Tax-Exempt Organizations

● **IRS Moves Form 8976 Electronic Filing to Pay.gov Effective March 9**

Starting March 9, 2026, 501(c)(4) organizations must file Form 8976 — Notice of Intent to Operate as a social welfare organization — through Pay.gov rather than through the now-decommissioning Electronic Notice Registration System. Organizations have 30 days to retrieve past filing records from the old system before access is cut off. Nonprofits operating as 501(c)(4)s who miss this transition risk compliance gaps and filing record loss.

Source:

<https://www.irs.gov/charities-non-profits/exempt-organizations-update>

● **OBBBA Dramatically Expands 21% Excise Tax on Nonprofit Executive Compensation**

Beginning with the 2026 tax year, the 21% excise tax on compensation exceeding \$1 million no longer applies only to an organization's five highest-paid employees — it now covers any current or former employee exceeding that threshold. Nonprofit organizations with multiple highly compensated executives, physicians, or investment managers face potentially significant new tax liabilities. Boards and finance committees should audit all compensation arrangements now, before year-end filings are due, and consult tax counsel on strategies to mitigate exposure.

Source:

<https://www.fisherphillips.com/en/insights/insights/do-your-executive-compensation-arrangements-expose-your-tax-exempt-organization-to-possible-irs-sanctions>

● **Single-Audit and Indirect Cost Changes Require Financial System Updates**

Recent guidance highlighted two major compliance changes affecting federally funded nonprofits in 2026: the single-audit threshold rises from \$750,000 to \$1 million in federal expenditures, and the de minimis indirect cost rate rises from 10% to 15%. Those changes may reduce audit requirements for some organizations, but they also require updated internal procedures, grant tracking, and budgeting assumptions. Nonprofits cannot treat these as technical footnotes; they affect compliance systems, reimbursement strategy, and board-level financial oversight.

Source:

Cherry Bekaert – Compliance and OBBBA: What's New for Nonprofits in 2026?

● **2026 Tax Law Changes Could Reshape Charitable Giving Patterns**

New tax rules taking effect in 2026 could alter donor behavior in ways nonprofits need to start planning for now. Non-itemizers will be able to deduct up to \$1,000 in cash gifts, or \$2,000 for joint filers, which could modestly broaden grassroots giving. At the same time, itemizers face a new 0.5% adjusted gross income floor before charitable deductions

count, potentially reducing incentives for some donors. Nonprofits should reassess fundraising messaging, donor segmentation, and major-gift assumptions.

Source:

Wiss – OBBBA Tax Changes: What Nonprofits Need to Know

IRS Maintains Heightened Enforcement of Employee Retention Credit Claims Affecting Nonprofits

The Internal Revenue Service continues aggressive enforcement efforts targeting improper Employee Retention Credit (ERC) claims, including those filed by nonprofit organizations. After widespread fraud concerns and aggressive marketing by third-party promoters, the IRS has shifted its focus to audits, appeals, and potential recapture of improperly claimed credits. Nonprofits that claimed ERC during the pandemic face increasing scrutiny and may be required to substantiate eligibility, wages, and shutdown impacts. Organizations unable to document their claims could face repayments, penalties, and lengthy IRS examination procedures.

Source:

<https://www.forbes.com/sites/tomcullinan/2026/02/20/is-the-irs-done-granting-employee-retention-credit-erc-refunds/>

State Nonprofit Developments

Executive Summary:

State policy developments continue to shape the operating environment for nonprofit organizations across the country. Attorneys general, legislatures, and state agencies are increasingly focusing on nonprofit fundraising practices, property tax exemptions, public-benefit program administration, and sector sustainability. Several states are also responding to federal funding disruptions by adjusting budgets, proposing new regulatory structures, or exploring alternative revenue mechanisms involving nonprofit organizations. Nonprofit leaders should monitor these developments carefully because state-level regulatory changes often have immediate operational and financial implications.

Key Actions for This Section:

- Review fundraising platform relationships and confirm that no unauthorized campaigns exist.
- Monitor state legislative proposals affecting nonprofit tax exemptions and PILOT payments.
- Confirm compliance with new state corporate reporting requirements.
- Assess how federal funding disruptions may affect state-level nonprofit programs.

- Track state policy developments affecting nonprofit contracting and regulatory oversight.
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● Bipartisan Coalition of State AGs Targets GoFundMe Over 1.4 Million Unauthorized Charity Pages

A bipartisan coalition of 22 state attorneys general sent a demand letter to GoFundMe on March 3 requiring proof that it removed 1.4 million unauthorized donation pages created without nonprofits' prior consent. The pages displayed inaccurate charity information, applied undisclosed default "tips" of 16.5%, and used SEO practices that may have diverted donors from legitimate campaigns. Nonprofits should audit fundraising platform relationships and verify no unauthorized pages remain active.

Source:

<https://www.crowell.com/en/insights/client-alerts/bipartisan-group-of-state-attorneys-general-and-state-charity-regulators-send-letter-to-gofundme-implications-for-charities-and-companies>

● Multi-State Coalition Wins Second Court Order Blocking SNAP Recipient Data Sharing

On March 2, 2026, a federal court issued a second order blocking the Trump administration's attempts to force states to turn over personal data on millions of SNAP recipients or lose federal administrative funding. The court found that USDA cannot collect state records without an agreed-upon protocol. Nonprofits administering food assistance programs in coalition states — including Delaware, California, Massachusetts, and Washington — are protected, but advocates note the federal government may try again.

Source:

<https://news.delaware.gov/2026/03/02/ag-jennings-again-blocks-trump-administrations-demands-for-personal-data-of-snap-applicants-and-recipients/>

● North Carolina Adopts “Critical Needs” State Budget to Fund Medicaid and Essential Services

North Carolina officials adopted a “critical needs” state budget package designed to address urgent funding gaps while lawmakers continue negotiating a full multi-year budget. The plan includes funding to stabilize the state’s Medicaid program and support key public services such as health care and public safety. Nonprofit hospitals, clinics, and community health providers that rely heavily on Medicaid reimbursements are expected

to benefit from the funding stabilization, which helps prevent service disruptions while the state works toward a comprehensive budget agreement.

Source:

<https://governor.nc.gov/news/press-releases/2026/03/09/governor-stein-proposes-14-billion-critical-needs-budget-keep-north-carolina-strong-including-319>

● Massachusetts — Second Federal Impacts Survey Shows Nonprofits Facing Rising Demand, Shrinking Resources

On March 5, 2026, The Boston Foundation, Massachusetts Nonprofit Network, and MassINC Polling Group released results of a second Federal Impacts Survey of nearly 500 Massachusetts nonprofit leaders. Two-thirds report rising service demand over the past year — especially from unhoused people, domestic violence survivors, and veterans — while facing simultaneous funding cuts. Nearly three-quarters cited nutrition benefit cuts as having the most major negative impact on their communities. Nonprofit leaders face an unsustainable gap between need and capacity.

Source:

<https://www.wgbh.org/news/local/2026-03-05/mass-nonprofits-faced-with-rising-needs-yet-fewer-resources-says-survey>

● South Carolina and New Hampshire Lawmakers Pursue PILOT Charges on Nonprofits

As states grapple with federal funding cuts, the National Council of Nonprofits' Nonprofit Champion (March 9, 2026) reports that South Carolina H. 3355 would authorize counties to impose "community charges" — a PILOT in all but name — on nonprofit hospitals and higher education institutions. In New Hampshire, H.B. 1293 would allow municipalities to tax nonprofit real estate exceeding \$1 million in value unless a PILOT agreement is reached. Both bills signal a growing national trend of states targeting nonprofits' tax-exempt property status to offset lost federal revenues.

Source:

<https://www.councilofnonprofits.org/nonprofit-champion-march-9-2026>

● New Hampshire Nonprofits: A Regional Warning for the Sector Nationwide

A Valley News investigation documents how federal funding cuts are forcing New Hampshire nonprofits to scale back services, lay off staff, and close programs — while private philanthropy cannot fill the gap at scale. Refugee resettlement organizations, food banks, and community health centers are all affected. Corporate giving is declining due to tariff pressures. As smaller nonprofits compete for the same shrinking pool of foundation support, the most vulnerable organizations face the greatest existential risk.

Source:

<https://vnews.com/2026/01/10/trump-administration-funding-cuts-nonprofits/>

● **Pennsylvania — Act 122 Annual Reporting Transition Period Ends in 2026; Dissolution Risk Begins in 2027**

Pennsylvania's Act 122 of 2022 requires all nonprofits incorporated or registered to do business in the state to file an annual report — replacing the prior once-a-decade filing requirement. The 2026 filing is the final year of the transition period. Beginning with reports due in 2027, failure to file within six months of the deadline will trigger administrative dissolution and loss of name protection. Nonprofit corporations must file by June 30 each year at no charge. All PA nonprofits should confirm their compliance status now at the Department of State portal.

Source:

<https://www.leechtishman.com/insights/blog/pennsylvania-act-122-new-annual-reporting-requirements-for-pa-entities/>

● **California — SB 1240 Would Create First-Ever Office of Nonprofit Empowerment**

California Senate Bill 1240, introduced February 2026, would establish the Office of Nonprofit Empowerment (ONE) within the Governor's office, operating as a centralized liaison between the state and California's 109,000 nonprofits. Modeled after the Office of the Small Business Advocate, ONE would reduce administrative barriers, improve state contracting practices, and coordinate emergency communications. The bill becomes operative July 1, 2026, if enacted. Sponsored by CalNonprofits, the bill is a direct response to federal funding disruptions.

Source:

<https://davisvanguard.org/2026/02/california-nonprofits-trump-cuts/>

● **Illinois — State Treasurer Awards \$200,000 in Grants to 10 Small Nonprofits**

Illinois Treasurer Michael Frerichs announced on February 26, 2026, that 10 small nonprofits across the state will share nearly \$200,000 in Charitable Trust Stabilization Fund grants focused on housing stability and workforce development. Selected from 68 applicants by an independent panel, recipients include organizations in Rockford, Chicago, and Aurora. Funded by fees paid by larger nonprofits filing annual reports — not taxpayer funds — the program is one of the few state-level direct grant mechanisms specifically benefiting nonprofits with budgets of \$1 million or less.

Source:

<https://www.illinoistreasurer.gov/treasurer-michael-frerichs-unveils-200000-in-grants-to-10-small-nonprofits-throughout-illinois/>

🟡 New Jersey — Center for Nonprofits Issues 2026 Trends and Outlook Report

The New Jersey Center for Nonprofits — noted as listed among the National Council of Nonprofits' annual state research reports — continues tracking sector-wide challenges facing New Jersey's 41,000+ nonprofits, which employ 340,000 workers and spend more than \$56 billion annually statewide. Prior surveys found 76% of organizations expecting rising service demand, 78% projecting increased expenses, while only 35% expected revenue growth. Federal funding disruptions in 2025–2026 are expected to have significantly worsened these trends in the current edition.

Source:

<https://www.councilofnonprofits.org/research-reports-and-data-nonprofit-sector>

Weekly Theme Section: Increasing IRS Compliance and Enforcement Developments

The following is a new weekly section of the Navigator News Update. Each week, this section focuses exclusively on a single issue of urgency and relevance to nonprofit senior leaders and their boards. This week's special section examines the growing number of IRS compliance and enforcement developments that have a direct impact on nonprofit organizations.

📄 Executive Summary:

IRS compliance expectations for nonprofit organizations are tightening across multiple fronts in 2026. The agency is increasing enforcement activity related to political campaign intervention, executive compensation, Employee Retention Credit claims, and Form 990 compliance. At the same time, regulatory changes tied to the One Big Beautiful Bill Act, digital asset reporting, and donor-advised fund rules are altering the tax environment affecting nonprofit operations and fundraising. Nonprofit boards and executive leadership teams should treat IRS compliance as an enterprise-wide governance issue requiring careful oversight, documentation, and proactive legal review.

⚡ Key Actions for This Section:

- Confirm all Form 990 filing calendars and extension procedures are functioning properly.
- Conduct a governance review of board oversight, conflict-of-interest policies, and documentation practices.
- Audit Employee Retention Credit claims and supporting documentation.
- Train staff on political activity restrictions during the 2026 election cycle.
- Review executive compensation arrangements for potential Section 4960 excise tax exposure.

- Evaluate fundraising strategies in light of new charitable deduction rules.
 - Review compliance procedures for cryptocurrency donations and reporting obligations.
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● **IRS Restructuring Plans Raise Fears of Politically Motivated Nonprofit Audits**

A Wall Street Journal report in October 2025 detailed administration plans to restructure the IRS criminal-investigative division—installing political allies and weakening attorney oversight—to more easily target left-leaning nonprofits and donors. Fourteen senators formally demanded answers, citing federal laws barring political interference in tax enforcement. All nonprofits face elevated risk: leaders should proactively strengthen governance documentation, board oversight practices, and conflict-of-interest policies, and consider consulting legal counsel to assess their vulnerabilities before any inquiry begins.

Source:

[Charity & Security Network – U.S. Congress Seeks to Weaponize the IRS \(Oct. 16, 2025\)](#)

● **Form 990 Due May 15: Three-Year Filing Failure Can Mean Permanent Revocation**

Calendar-year nonprofits face a May 15, 2026, Form 990 deadline, with a six-month extension available via Form 8868—though 990-N filers cannot extend. Missing three consecutive annual filings triggers automatic revocation of tax-exempt status under IRC Section 6033(j), a public, donor-visible penalty with lasting consequences. The One Big Beautiful Bill Act also lowered the e-file threshold to 10 returns, effectively ending paper filing for most active nonprofits. Boards should verify compliance calendars and confirm that extension requests are filed separately for each return type.

Source:

[OurTaxPartner.com – Form 990 Deadlines 2025 \(Feb. 7, 2026\)](#)

● **IRS Sharpens Form 990 Compliance Reviews with Advanced Data Analytics**

The IRS uses built-in analytical tools to scan Form 990 filings for anomalies—flagging unusual executive compensation, related-party transactions, fundraising ratios, and inconsistencies between revenue, payroll, and program expense data. These tools enable precise audit targeting without the need for a complaint or random selection. Nonprofits should treat Form 990 as a compliance instrument rather than a routine filing—ensuring all reported figures are internally consistent from section to section, year to year, and supported by board-approved governance policies that will withstand IRS examination.

Source:

[Foundation Group \(501c3.org\) – Top 10 Form 990 Audit Triggers \(March 2025\)](#)

● **501(c)(3) Political Activity Guardrails: What the 2026 Election Cycle Requires of Nonprofits**

With the 2026 midterm election cycle underway, the IRS's political activity prohibition remains fully operative for all secular charities and educational 501(c)(3) organizations. Permissible activities include voter education, nonpartisan candidate forums, and issue advocacy—provided they do not constitute candidate endorsement or partisan campaign intervention. The IRS's 2025–2026 Priority Guidance Plan explicitly prioritizes Johnson Amendment guidance, signaling heightened regulatory attention. Nonprofits should train staff on permissible activities, thoroughly document all advocacy work, and consult legal counsel before implementing any election-adjacent programming.

Source:

[NC Center for Nonprofits – 2025 Nonprofit Policy Year in Review \(Dec. 2025\)](#)

● **Johnson Amendment Under Siege: Church Exemption Could Reshape Rules for All Nonprofits**

In July 2025, the IRS agreed to a Texas federal court consent decree allowing churches to endorse political candidates in regular congregational communications without risking tax-exempt status—a sharp reversal of 70 years of Johnson Amendment enforcement. The case is still pending a final court ruling in 2026. While the current carve-out is limited to houses of worship, a broader ruling could unsettle nonpartisan standards governing all 501(c)(3)s. Nonprofits should review political activity policies, document their nonpartisan practices, and monitor further court and regulatory developments closely.

Source:

[NC Center for Nonprofits – Are 501\(c\)\(3\) Nonprofits Still Required to Be Nonpartisan? \(July 2025, updated Dec. 2025\)](#)

● **IRS/Treasury 2025–2026 Priority Guidance Plan: Key Priorities for Tax-Exempt Organizations**

Released September 30, 2025, the IRS/Treasury Priority Guidance Plan identifies exempt-organization priorities focused on deregulation, Johnson Amendment enforcement, and One Big Beautiful Bill Act implementation. Key items include final regulations on donor-advised funds under Section 4966, revised racial-discrimination guidance for private schools, and updated excess compensation rules under Section 4960. At only 105 projects—down from 231—the plan signals a streamlined regulatory focus. Each item could alter compliance obligations, exemption standards, or governance requirements, making close monitoring essential for nonprofit leaders throughout 2026.

Source:

[ArentFox Schiff – IRS and Treasury Release 2025-2026 Guidance Plan \(Oct. 9, 2025\)](#)

● **ERC Enforcement Intensifies: Nonprofits Face Extended IRS Lookback and New Penalties**

The One Big Beautiful Bill Act, signed July 4, 2025, extended the IRS statute of limitations to six years for Employee Retention Credit claims, raising audit exposure through 2029. The law bars new ERC refunds for certain late-filed 2021 claims and imposes \$1,000-per-failure penalties on promoters lacking required due diligence. Tax practitioners report a marked uptick in IRS audit letters (Letter 6612) since mid-2025, with only 30 days to respond. Nonprofits that relied on third-party ERC consultants face the greatest vulnerability and should seek legal review proactively.

Source:

[Chamberlain Hrdlicka / The Legal Intelligencer – IRS Targets ERC Claims Through Increased Audit Activity \(Oct. 17, 2025\)](#)

● **IRS Modernizes Group Exemption Program: New Standards Require Prompt Review**

After a nearly six-year moratorium, the IRS resumed accepting group exemption letter applications January 20, 2026, under Revenue Procedure 2026-8. Updated rules require electronic Form 8940 submission via Pay.gov, a minimum of five subordinate organizations, stricter supervision standards, and annual electronic reporting. Organizations holding existing group exemption letters must align with the new standards by January 22, 2027. Widespread noncompliance—including a majority of affiliates losing individual exempt status—can trigger termination of the entire group's exemption, jeopardizing every subordinate organization in the network.

Source:

[CBIZ – IRS Notice 2026-8 Finalizes Group Exemption Procedures \(Feb. 4, 2026\)](#)

● **New OBBBA Rules Reshape Donor-Advised Fund Tax Benefits: Fundraising Strategy Must Adapt**

Effective January 1, 2026, the One Big Beautiful Bill Act introduced a 0.5% AGI floor on itemized charitable deductions and reduced the top-bracket deduction cap from 37% to 35%. While these changes reduce tax incentives for high-income DAF contributors, non-itemizers gained a new \$1,000/\$2,000 above-the-line deduction—but only for direct cash gifts, not DAF contributions. Development teams must update donor communications, adjust major gift solicitation strategies, and help donors understand the new tax implications of charitable giving heading into 2026.

Source:

[Association of Fundraising Professionals – Leaning Into the 2025 Tax Law \(Sept. 22, 2025\)](#)

● **New IRS Digital Asset Reporting Rules Require Nonprofits Accepting Crypto to Update Procedures**

The IRS requires custodial brokers to report digital asset transactions via new Form 1099-DA, beginning with 2025 activity. For nonprofits accepting cryptocurrency gifts, compliance obligations are substantial: donations exceeding \$5,000 require a qualified appraisal; organizations must sign donor Form 8283s and issue noncash acknowledgment letters without stating a dollar value. Beginning in 2026, expanded broker cost-basis reporting creates additional IRS audit matching opportunities. Development, finance, and legal teams must coordinate to ensure cryptocurrency donation procedures are fully compliant.

Source:

[Cerini & Associates – Is Your Nonprofit Accepting Crypto and Digital Donations? \(Dec. 15, 2025\)](#)

● **UBIT and Partnership Income: How Revenue Diversification Can Trigger Unexpected Tax Liability**

As nonprofits diversify revenue through partnerships, joint ventures, and alternative investments, Unrelated Business Income Tax (UBIT) exposure is growing. Income from partnership Schedule K-1s may be taxable if activities are unrelated to the nonprofit's exempt purpose, with the IRS requiring separate profit/loss calculations for each business silo. Form 990-T must be filed when gross unrelated income exceeds \$1,000. Before entering any joint venture or revenue-sharing arrangement, nonprofits should conduct a thorough UBIT analysis and evaluate whether isolating the activity in a taxable subsidiary is advisable.

Source:

[Charitable Allies – UBIT for Nonprofits: A Guide to Staying Compliant in 2026 \(Feb. 2026\)](#)

Summary

The March 23, 2026 Navigator News Update highlights a nonprofit sector operating in a rapidly evolving regulatory and operational environment. Federal policy developments, enforcement initiatives, and legislative proposals are reshaping compliance expectations for organizations receiving government funding or operating in politically sensitive areas such as immigration services, healthcare, and diversity initiatives. The establishment of new federal fraud enforcement mechanisms, proposed grant certification requirements, and expanding federal oversight of nonprofit governance signal a period of increased scrutiny for organizations administering public programs.

At the same time, nonprofit employers face rising employment-law exposure as federal agencies intensify enforcement related to discrimination claims, worker classification, wage-and-hour compliance, and workplace accommodations. These developments require nonprofit leaders to review internal policies, ensure employment practices remain legally defensible, and document governance decisions carefully.

Financial and tax developments also demand attention. IRS compliance expectations continue to expand, particularly regarding Form 990 reporting accuracy, executive compensation rules, political activity restrictions, and Employee Retention Credit claims. Changes introduced by the One Big Beautiful Bill Act, including new tax provisions affecting charitable deductions and compensation taxes, will also influence nonprofit fundraising strategies and financial planning.

State-level developments further illustrate the pressures facing the sector. Attorneys general investigations into online fundraising platforms, new nonprofit reporting requirements, and proposals to impose PILOT-style charges on nonprofit property demonstrate growing state interest in nonprofit oversight and revenue sources. Meanwhile, surveys from multiple states show nonprofit organizations experiencing rising service demand while financial resources remain constrained.

The Weekly Theme Section of this issue highlights an especially important trend: the growing number of IRS compliance and enforcement developments directly affecting nonprofit organizations. From increased audit targeting using data analytics to expanded ERC enforcement and evolving guidance on political activity, nonprofits must treat tax compliance as a central governance responsibility rather than a routine administrative task.

Taken together, these developments reinforce a central message for nonprofit leaders in 2026: regulatory complexity is increasing across federal, state, and operational domains simultaneously. Boards and executive teams should strengthen governance structures, compliance systems, risk-management practices, and legal oversight to ensure their organizations remain resilient and mission-focused in this challenging environment.

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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