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# NMN Executive Intelligence Briefing

## IRS Compliance and Enforcement Developments: Implications for Nonprofit Organizations

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From **Nonprofit Management Navigator**

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### Abstract

The nonprofit sector faces an unprecedented convergence of IRS compliance pressures in spring 2026. From an imminent May 15 Form 990 deadline carrying permanent revocation consequences, to an intensifying Employee Retention Credit audit wave, to a federal court proceeding threatening decades of nonprofit nonpartisanship standards, the regulatory landscape is shifting on multiple fronts simultaneously. New donor-advised fund tax rules, cryptocurrency reporting mandates, growing unrelated business income exposure, and expanded IRS enforcement analytics amplify these risks. This analysis synthesizes current developments to help nonprofit executives assess organizational exposure and identify concrete protective actions before compliance gaps become existential threats.

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### Importance and Overview

For nonprofit leaders, spring 2026 presents a more compressed and consequential compliance calendar than any recent year in memory. Recent federal legislation, evolving enforcement priorities, and expanded IRS analytics capabilities are reshaping how tax-exempt organizations are regulated. Simultaneously, litigation and policy debates surrounding nonprofit political activity add further uncertainty to the operating environment. Tax-exempt status—the foundational privilege enabling nonprofits to attract donations and pursue their missions—has rarely faced such a wide range of regulatory pressures at once.

### Summary of Major Developments

The most time-sensitive issue is the **Form 990 filing deadline**. Calendar-year nonprofits must file by **May 15**, although a six-month extension can be requested through **Form 8868**.

Organizations that fail to file required returns for **three consecutive years automatically lose their tax-exempt status under Internal Revenue Code §6033(j)**.<sup>1</sup>

At the same time, **IRS enforcement related to Employee Retention Credit (ERC) claims** continues to intensify. The agency has warned organizations to review claims carefully and maintain documentation supporting eligibility, as improper claims may trigger audits and repayment demands.<sup>2</sup>

Another area of uncertainty involves the **Johnson Amendment**, the longstanding rule prohibiting charitable nonprofits from endorsing or opposing political candidates. Although some political and legal efforts have attempted to weaken the provision, the IRS continues to maintain that Section 501(c)(3) organizations must remain nonpartisan.<sup>3</sup>

Policy analysts and nonprofit leaders have also raised concerns about the broader **politicization of tax enforcement**, particularly if IRS oversight becomes entangled with political disputes involving nonprofit organizations.<sup>4</sup>

The IRS and Treasury Department's **Priority Guidance Plan** identifies multiple rulemaking projects affecting nonprofits, including issues related to donor-advised funds and other tax-exempt organization regulations.<sup>5</sup>

Recent tax law changes have also affected charitable giving incentives. Modifications to deduction rules may alter donor behavior and require nonprofit development teams to adjust their fundraising strategies.<sup>6</sup>

At the same time, **cryptocurrency donations** and other digital assets present new reporting and compliance challenges. Nonprofits accepting digital asset gifts must follow IRS documentation rules similar to those governing other non-cash charitable contributions.<sup>7</sup>

Another emerging issue is **Unrelated Business Income Tax (UBIT)** exposure. As nonprofits diversify revenue sources through partnerships, investments, and commercial activities, organizations must carefully evaluate whether those activities generate taxable unrelated business income.<sup>8</sup>

The IRS has also reopened the **Group Exemption Program** with updated procedures governing how central organizations supervise affiliated nonprofits. These changes impose new reporting requirements and strengthen oversight responsibilities.<sup>9</sup>

Finally, the IRS increasingly uses **data analytics to analyze Form 990 filings**, allowing the agency to detect unusual patterns involving executive compensation, related-party transactions, or financial reporting inconsistencies that may warrant further review.<sup>10</sup>

## **Implications for Nonprofit Organizations**

Taken together, these developments signal a more sophisticated and compliance-focused regulatory environment.

In the near term, organizations should prioritize timely Form 990 filings, documentation supporting ERC claims, and careful compliance with cryptocurrency reporting rules.

Over the longer term, nonprofits must prepare for a regulatory environment shaped by expanded IRS analytics, evolving tax rules affecting charitable giving, and continuing debate over nonprofit political activity.

Organizations that treat compliance as a strategic governance priority—rather than merely an administrative task—will be best positioned to maintain donor confidence and protect their tax-exempt status.

### **Action Steps for Nonprofit Leaders**

- Confirm Form 990 filing status and submit Form 8868 extensions before May 15 if necessary.
- Review Employee Retention Credit claims with qualified tax counsel.
- Evaluate all political and advocacy activities to ensure compliance with IRS nonpartisanship requirements.
- Brief boards and development teams on changes affecting charitable deductions.
- Establish policies governing cryptocurrency donations and other digital assets.
- Review revenue-generating activities for potential UBIT exposure.
- Conduct an internal review of Form 990 data for consistency and accuracy before filing.

### **Summary**

The current IRS compliance environment reflects a broader shift toward stronger oversight of tax-exempt organizations. Regulatory changes, new technologies, and evolving enforcement priorities are reshaping how the federal government monitors nonprofit compliance.

Nonprofit leaders who respond proactively—by strengthening governance, improving documentation, and maintaining awareness of regulatory developments—will be best positioned to protect their organizations' tax-exempt status, donor trust, and long-term operational stability.<sup>11</sup>

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### **Sources**

<sup>1</sup> IRS – Annual Exempt Organization Return Due Date  
<https://www.irs.gov/charities-non-profits/annual-exempt-organization-return-due-date>

<sup>2</sup> IRS – Employee Retention Credit Compliance Information  
<https://www.irs.gov/newsroom/employee-retention-credit>

<sup>3</sup> NC Center for Nonprofits – Are 501(c)(3) Nonprofits Still Required to Be Nonpartisan?  
<https://ncnonprofits.org/public-policy-blog/are-501c3-nonprofits-still-required-be-nonpartisan-yes-they-are>

<sup>4</sup> Charity & Security Network – IRS Oversight and Political Concerns  
<https://charityandsecurity.org>

<sup>5</sup> IRS – Priority Guidance Plan  
<https://www.irs.gov/privacy-disclosure/priority-guidance-plan>

<sup>6</sup> Association of Fundraising Professionals – Federal Tax Law Changes and Charitable Giving  
<https://afpglobal.org>

<sup>7</sup> IRS – Digital Assets Guidance  
<https://www.irs.gov/businesses/small-businesses-self-employed/digital-assets>

<sup>8</sup> IRS – Unrelated Business Income Tax  
<https://www.irs.gov/charities-non-profits/unrelated-business-income-tax>

<sup>9</sup> IRS Internal Revenue Bulletin – Revenue Procedure 2026-8  
<https://www.irs.gov/pub/irs-irbs>

<sup>10</sup> Foundation Group – Form 990 Audit Triggers  
<https://www.501c3.org>

<sup>11</sup> National Council of Nonprofits – Federal Filing Requirements  
<https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/federal-filing-requirements-nonprofits>

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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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