

## **Abstract**

The March 30, 2026 Navigator News Update highlights a rapidly intensifying federal enforcement and compliance environment for nonprofit organizations. A coordinated federal fraud initiative, expanding False Claims Act exposure tied to DEI practices, and sweeping new federal grant certification requirements are redefining risk across the sector. At the same time, legal challenges, funding disruptions, and structural shifts in charitable giving are creating operational uncertainty. Nonprofit leaders must respond with stronger governance, compliance systems, and financial planning strategies to navigate an increasingly complex and high-risk regulatory landscape.

# **March 30, 2026 Navigator News Update: Including Federal Fraud Enforcement Expansion, SNAP Challenge, New ICE Activity and More!**

**From Nonprofit Management Navigator**

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

## **Introduction**

Nonprofits are operating in one of the most consequential regulatory environments the sector has faced in decades. Federal agencies are no longer acting independently—they are coordinating enforcement, redefining compliance expectations, and expanding legal exposure in ways that directly impact how your organization operates, documents, and governs itself. This week's Navigator brings together critical developments across federal enforcement, human resources, IRS oversight, and state-level regulation. The message is clear: compliance is no longer periodic—it is continuous. At the same time, structural funding pressures—from Medicaid changes to charitable giving shifts—are forcing difficult strategic decisions.

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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
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## Nonprofit News and Federal Regulatory Developments

### Executive Summary:

Federal enforcement activity has escalated into a coordinated, multi-agency strategy targeting nonprofit fraud, compliance, and governance practices. New task forces, expanded False Claims Act interpretations, and proposed federal grant certifications are significantly increasing legal and operational risk. At the same time, litigation, funding disruptions, and tax law changes are creating uncertainty across funding streams and program delivery. Nonprofits must strengthen compliance systems, review federal funding exposure, and prepare for heightened scrutiny across all operations.

### Key Actions for This Section:

- Conduct a comprehensive federal funding compliance audit
  - Review all DEI-related employment and program practices for legal exposure
  - Update SAM.gov registrations carefully and consult legal counsel before certifications
  - Download and secure all federal donor and grant-related data (e.g., CFC)
  - Develop contingency funding strategies for federal disruptions
  - Strengthen documentation to mitigate False Claims Act risk
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 **No Safe Harbor: The Federal Government Launches an Unprecedented Multi-Agency Campaign Against Nonprofit Fraud**

The nonprofit sector faces a level of federal scrutiny it has not seen in modern memory. Triggered by the [Feeding Our Future scandal](#) — in which a Minnesota nonprofit allegedly defrauded federal child nutrition programs of nearly \$250 million — the executive branch, DOJ, IRS, Treasury, and multiple congressional committees have launched a [coordinated, whole-of-government campaign](#) targeting fraud, financial misuse, and legal violations across the sector. What began in Minnesota has rapidly expanded nationwide. The summaries that follow examine each initiative in detail.

Sources: [White House Executive Order – Establishing the Task Force to Eliminate Fraud](#) | [Federal News Network – Trump Brings 'War on Fraud' Into Focus](#)

## ● DOJ Fraud Enforcement Division Reinforces Broader Federal Oversight Trend

The White House’s earlier announcement of a dedicated DOJ national fraud enforcement division reinforces the broader enforcement direction now reflected in the March 16 Task Force order. Together, these initiatives signal increased coordination across federal agencies to detect and prosecute fraud involving taxpayer funds. Nonprofits participating in federally funded programs should view these developments collectively as a long-term shift toward heightened oversight, documentation expectations, and enforcement risk.

Source: <https://www.whitehouse.gov/fact-sheets/2026/01/fact-sheet-president-donald-j-trump-establishes-new-department-of-justice-division-for-national-fraud-enforcement/>

## ● White House Task Force to Eliminate Fraud Expands Scrutiny of Nonprofits

President Trump signed an executive order on March 16, 2026, creating the Task Force to Eliminate Fraud, chaired by Vice President Vance, to combat fraud in federally funded benefits programs. The order explicitly includes "nonprofit organizations, intermediaries, and service organizations" as subjects of scrutiny. Agencies have 30 days to identify high-risk programs and 60 days to establish minimum anti-fraud standards. Nonprofits operating as subrecipients or intermediaries in federal benefit programs face increased audit exposure and potential fund suspension pending new controls.

Source: [Government Executive — Trump's Anti-Fraud Task Force Poised to Scrutinize Benefits Programs](#)

## ● DOJ Expands False Claims Act Enforcement to “Illegal DEI”—Growing Risk for Federally Funded Nonprofits

In February 2026, DOJ officials confirmed the False Claims Act can target organizations with federal funding where employment decisions were influenced by race or sex under DEI programs—even informally. This dramatically expands nonprofit legal exposure beyond standard EEOC discrimination charges. Federally funded nonprofits should audit not just written DEI policies, but actual employment decisions, and ensure all hiring and promotion choices are documented as merit-based.

Source: [Venable LLP | The Department of Justice Is Expanding Its Definition of “Illegal DEI”](#)

## ● **GSA Releases Modernized Representations and Certifications in SAM.gov — March 24, 2026**

On March 24, 2026, the GSA released modernized FAR and DFARS Representations and Certifications on SAM.gov, streamlining data collection and improving user experience for entities doing business with the federal government. This update coincides with GSA's separate proposed rule — with public comments due March 30 — that would add new DEI, immigration, and anti-terrorism certifications to the SAM.gov financial assistance registration process, affecting all nonprofits receiving federal grants. Nonprofits must update SAM.gov registrations with care and consult counsel before making new certifications that may carry False Claims Act exposure.

Source: [SAM.gov — Modernized Representations and Certifications Update](#)

## ● **More Than 700 Nonprofits Sign National Letter Opposing New Federal Grantee Certifications**

The General Services Administration (GSA) has proposed requiring all federal grant recipients — including nonprofits — to sign sweeping new certifications tied to presidential executive orders on DEI, immigration, and terrorism, under threat of civil and criminal penalties. Over 700 organizations have signed a national letter opposing the proposal, which critics say is vague, legally risky, and likely to deter nonprofits from seeking federal funding. The public comment period ends(ed) March 30, 2026. This proposal presents an immediate compliance and legal risk for nonprofits, potentially jeopardizing critical program funding and exposing organizational leaders to personal liability.

Source: [Charity Lawyer Blog — Take Action Now: New Federal Grant Certifications Create Real Risk for Nonprofits](#)

## ● **DOJ's National Fraud Enforcement Division Raises Concern Among Nonprofit Leaders**

On January 8, 2026, the White House announced a new DOJ Division for National Fraud Enforcement — explicitly targeting fraud in "Federally funded programs, businesses, nonprofits, and private citizens." Vice President Vance stated the new Assistant Attorney General will operate under direct White House supervision, an unprecedented departure from DOJ's traditional independence. The Division's mandate includes coordinating False Claims Act litigation against federal grant recipients. Any nonprofit receiving federal grants should assess its False Claims Act exposure, compliance controls, and documentation practices immediately.

Source: [DLA Piper — White House Announces National Fraud Enforcement Division: Top Points](#)

## ● **SNAP Food Restriction Waiver Lawsuit Advances in Federal Court**

On March 11, 2026, five SNAP recipients represented by the National Center for Law and Economic Justice (NCLEJ) filed a federal lawsuit challenging USDA's approval of food purchase restriction waivers in 22 states — the first legal challenge to the "MAHA" (Make America Healthy Again) food restrictions. The suit argues USDA bypassed required notice-and-comment rulemaking and lacked statutory authority to narrow SNAP's definition of "food." Nonprofit food assistance providers in affected states face immediate operational disruption as food access destabilizes for the millions of SNAP participants their programs serve.

Source: [National Center for Law and Economic Justice — Trump Administration Sued Over SNAP Food Restriction Waivers](#)

### ● **Democratic-Led States Sue USDA Over New Funding Certification Conditions**

On March 23, 2026, a coalition of 20 states and the District of Columbia filed suit in federal court challenging new USDA grant conditions that require recipients to certify compliance with vague federal "policies" on immigration, DEI, gender ideology, and other political priorities — or risk losing billions in congressionally approved funding. The lawsuit argues these conditions are unconstitutionally vague and coercive. Nonprofit food providers, universities, and social service organizations that receive USDA grants face immediate uncertainty over funding for SNAP, WIC, TEFAP, school lunch programs, and agricultural research.

Source: [Capital Press — Blue States Sue USDA Over 'America First' Grant Policy](#)

### ● **Combined Federal Campaign Portal Disruptions Continue — Donor Data and Program Stability in Question**

The Combined Federal Campaign (CFC) remains unstable following the shutdown of its charity portal, with official guidance warning that access to donation records and campaign data may be lost as systems are decommissioned. The broader future of the federal workplace-giving program remains uncertain, raising concerns for nonprofits that rely on CFC revenue and donor engagement. Organizations should immediately download available data and develop contingency fundraising strategies while monitoring federal decisions regarding the program's continuation.

Source: <https://givecfc.org/>

### ● **DHS Partial Shutdown Enters Week Seven With No Legislative Solution — Nonprofit Grant Programs Remain Frozen**

Now in its 44th day, the DHS partial shutdown remains unresolved as the new week begins. The Senate passed a funding bill Friday excluding ICE and parts of CBP, but Speaker Johnson rejected it as insufficient and proposed a rival 60-day stopgap. The Senate has since left on a two-week recess, making legislative resolution unlikely in the near term. TSA workers are expected to begin receiving back pay today under Trump's executive order. For nonprofits, FEMA grantmaking, UASI awards, and anti-trafficking program reimbursements remain stalled.

Source: [NPR | House Republicans Reject Senate DHS Bill, Trump Signs TSA Directive — March 27, 2026](#)

### ● **Federal Court Maintains Pause on DOJ DEI-Based Grant Funding Restrictions**

A temporary restraining order issued in February 2026 by the U.S. District Court for the Northern District of Illinois continues to block the Department of Justice from enforcing conditions that would require grant recipients to certify anti-DEI compliance or face grant termination. The ruling found the certification provision likely violates the First Amendment and lacks sufficient clarity for grantees to understand what conduct is prohibited. Nonprofits reliant on federal grants from DOJ-administered programs retain temporary protection but must monitor ongoing litigation closely.

Source: [Feldesman — Judge Blocks \\$600 Million in Grant Terminations After CDC First Notifies Congress](#)

### ● **Congressional Philanthropy Caucus Officially Relaunches in the U.S. House of Representatives**

The bipartisan Congressional Philanthropy Caucus officially relaunched in December 2025 under the leadership of Reps. Blake Moore (R-UT) and Danny K. Davis (D-IL) — both members of the House Ways and Means Committee. Inactive since 2022, the Caucus restores a dedicated venue for philanthropy sector engagement with Congress on charitable giving policy, tax incentives, and public-private partnerships. This relaunch offers nonprofits and foundations a renewed opportunity for constructive federal advocacy — particularly vital during a period of heightened governmental scrutiny of the sector.

Source: [Chronicle of Philanthropy — New Philanthropy Caucus Ensures Funders Have Friends on the Hill](#)

### ● **New Research: 2025 Tax Law May Reduce Total Charitable Giving by \$5.7 Billion Annually**

Researchers at the Indiana University Lilly Family School of Philanthropy find that the One Big Beautiful Bill Act, signed July 4, 2025, will likely increase the number of donors by 6–8.7 million — thanks to a new universal charitable deduction — but will reduce total giving by approximately \$5.7 billion annually. The law's new floors and caps disproportionately reduce giving by wealthy individuals and corporations. Development officers and nonprofit boards must prepare for a structural shift: more donors, less total revenue — particularly from major and corporate donors.

Source: [The Conversation — Tax Changes Taking Effect in 2026 May Boost the Number of Donors but Lead to the US Missing Out on \\$5.7B a Year in Charitable Giving](#)

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# Nonprofit Human Resources Developments

## Executive Summary:

Federal human resources enforcement and regulatory developments are accelerating, creating immediate compliance challenges for nonprofit employers. Immigration enforcement, DEI-related legal exposure, and evolving EEOC and DOL standards are reshaping workforce management. At the same time, changes to Public Service Loan Forgiveness (PSLF) and contractor classification rules are increasing retention and compliance risks. Nonprofits must proactively audit employment practices, strengthen HR policies, and prepare for heightened federal scrutiny across hiring, classification, and workplace programs.

## Key Actions for This Section

- Conduct immediate I-9 and immigration compliance audits
- Review all DEI-related employment practices for Title VII and FCA exposure
- Update anti-harassment and workplace policies in light of EEOC changes
- Evaluate contractor classifications under proposed DOL rules
- Assess PSLF-related workforce risks and communicate with employees

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## ICE Signals Major Worksite Enforcement Escalation in 2026—Nonprofits Must Prepare Now

ICE has signaled that 2026 is the year for large-scale I-9 enforcement following a 2025 groundwork phase. Civil penalties for knowing violations can reach \$28,619 per unauthorized worker. Nonprofits employing foreign nationals or workers with expiring authorizations tied to humanitarian programs must conduct internal I-9 audits immediately, retrain HR staff on verification protocols, and prepare written action plans for handling an unannounced federal inspection.

Source: [HR Daily Advisor | The New Reality of Worksite Enforcement: Navigating I-9 and E-Verify Shifts in 2026](#)

## Federal Appeals Court Clears Path for Anti-DEI Executive Orders—Nonprofit Grantees at Risk

On February 6, 2026, the Fourth Circuit vacated an injunction blocking enforcement of two anti-DEI executive orders. Nonprofits receiving federal grants or contracts must now certify they do not operate DEI programs that violate anti-discrimination law, or face potential False Claims Act liability and funding loss. The ruling preserves as-applied legal challenges but creates an uncertain compliance environment demanding immediate legal review for any federally funded nonprofit.

Source: [Duane Morris | Executive Orders Targeting DEI Stand After Appeals Court Vacates Injunction](#)

## PSLF Rule Change Effective July 1 Raises Workforce Retention Risks for Nonprofits

The Department of Education’s final rule allowing disqualification of employers from Public Service Loan Forgiveness (PSLF) eligibility for “substantial illegal purpose” remains a critical emerging risk. Effective July 1, 2026, employees of disqualified organizations would no longer receive credit toward loan forgiveness. Nonprofits in sensitive policy areas should consult legal counsel, assess exposure, and communicate proactively with employees who rely on PSLF as part of recruitment and retention strategies.

Source: <https://www.ed.gov/about/news/press-release/us-department-of-education-announces-final-rule-public-service-loan-forgiveness-protect-american-taxpayers>

## **EEOC Regains Enforcement Muscle—Nonprofit DEI Programs Now Under Federal Scrutiny**

Since regaining its quorum in October 2025, the EEOC has launched systemic investigations and litigation targeting DEI-related employment practices. The agency is actively subpoenaing records, filing pattern-and-practice suits, and signaling further actions. Nonprofits with race- or sex-based hiring preferences, restricted mentoring programs, or membership-limited affinity groups face real legal risk under Title VII. In January 2026, the EEOC also withdrew the 2024 harassment guidance affecting gender-identity protections, creating additional policy uncertainty.

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

## **EEOC Warns Fortune 500 CEOs on DEI—Smaller Nonprofits Should Take Equal Notice**

EEOC Chair Andrea Lucas sent a direct letter on February 26, 2026, to CEOs, general counsels, and board chairs of the 500 largest U.S. employers, warning that race- or sex-based DEI policies violate Title VII regardless of their label. The EEOC’s enforcement authority covers all employers with 15 or more employees, including nonprofits. Rebranding a DEI program as “equity” or “inclusion” offers no legal protection if protected characteristics drive employment decisions

Source: [HR Dive | EEOC Warns Fortune 500 to ‘Reject Identity Politics’](#)

## **EEOC Withdraws Biden-Era Harassment Guidance—Nonprofits Face Uncertain Landscape for LGBTQ+ Staff**

In January 2026, the EEOC voted 2-1 to rescind its 2024 comprehensive workplace harassment guidance, which extended protections based on gender identity and sexual orientation. The rescission does not eliminate Title VII protections confirmed in *Bostock v. Clayton County* (2020) but signals a shift in enforcement priorities. Nonprofits serving or employing LGBTQ+ individuals must update anti-harassment policies, lean on applicable state laws, and prepare for potential conflicts between federal and state frameworks.

Source: [Gibson Dunn | DEI Task Force Update \(February 2, 2026\)](#)

## ● EEOC Lawsuit Over Women-Only Event Highlights Immediate Legal Risk for Nonprofits

The EEOC's lawsuit against Coca-Cola Beverages Northeast alleging sex discrimination in a women-only networking event continues to serve as a clear enforcement signal. The agency claims the exclusion of male employees violated Title VII, reinforcing that employer-sponsored programs must remain open regardless of protected characteristics. Nonprofits offering identity-specific networking, training, or leadership events should review eligibility criteria and structure programs to avoid potential discrimination claims and enforcement exposure

.Source: <https://www.eeoc.gov/newsroom/eeoc-sues-coca-cola-beverages-northeast-sex-discrimination>

## ● DOL Proposes New Independent Contractor Test—Nonprofits Face Fresh Compliance Pressure

The Department of Labor proposed on February 27, 2026, to reinstate the 2021 “economic reality” two-factor test for determining employee versus independent contractor status under the FLSA. The new standard emphasizes employer control and the worker's opportunity for profit or loss. Nonprofits engaging consultants, paid volunteers, or gig workers should conduct immediate classification audits. Misclassification can trigger back wages, double damages, and civil penalties. The public comment period closes April 28, 2026

.Source: [Jackson Lewis | DOL's Proposed 2026 Independent Contractor Rule](#)

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# IRS, Accounting & Finance Developments

## 📄 Executive Summary:

Federal tax, financial oversight, and enforcement developments are significantly increasing compliance expectations for nonprofit organizations. New IRS fraud initiatives, congressional pressure, and expanded enforcement actions—including those tied to terrorism financing and Employee Retention Credit claims—signal a more aggressive regulatory environment. At the same time, critical filing deadlines, foreign account reporting requirements, and executive compensation rules demand immediate attention. Nonprofits must strengthen financial controls, ensure timely compliance, and proactively manage risk across all tax and reporting obligations.

## ⚡ Key Actions for This Section:

- Review financial controls and fraud prevention systems immediately
- Assess exposure related to ERC claims and prepare supporting documentation
- Ensure timely filing of Form 990 and FBAR requirements

- Conduct enhanced due diligence on international transactions and partners
  - Review executive compensation structures for Section 4960 compliance
  - Monitor IRS enforcement trends and prepare for potential audits
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### **● IRS CEO Bisignano Testifies Before House Ways and Means — Addresses Nonprofit Scrutiny**

IRS CEO Frank Bisignano testified before the House Ways and Means Committee on March 4, 2026, in his first appearance before Congress in his new role. Bisignano stated he has not received requests from the Trump administration to investigate specific nonprofit groups — a significant reassurance given broader concerns. However, the hearing also surfaced a court finding that the IRS unlawfully disclosed confidential taxpayer data approximately 42,695 times to ICE. Nonprofit leaders should note that while Bisignano denied targeted direction, existing enforcement initiatives create substantial sector-wide exposure that remains unresolved.

Source: [Roll Call — House Democrats Grill IRS Chief Over Data-Sharing Concerns](#)

### **● Treasury Announces IRS Fraud Task Force Targeting Misuse of 501(c)(3) Status**

In January 2026, Treasury Secretary Scott Bessent announced that the IRS will launch a dedicated fraud task force to investigate misuse of 501(c)(3) tax-exempt status, initially focusing on organizations implicated in Minnesota-based social services fraud schemes. The task force will also examine pandemic-era tax credits and audit financial institutions that may have facilitated fund laundering through nonprofits. All tax-exempt organizations should treat this announcement as a signal of significantly heightened IRS scrutiny of the 501(c)(3) sector nationally.

Source: [U.S. Department of the Treasury — Secretary Bessent Announces Initiatives to Combat Rampant Fraud in Minnesota](#)

### **● FBI and IRS Launch Joint Initiative to Investigate Nonprofits for Domestic Terrorism Links**

According to CBS News, the FBI and IRS Criminal Investigation are forming a joint initiative targeting nonprofit organizations with suspected links to domestic terrorism. Based at the FBI with IRS agents on one-year rotations, the initiative stems from a December 2025 Attorney General memo. A government official confirmed the effort will probe nonprofits' potential funding streams for domestic terrorism or political violence. Nonprofit leaders should consult legal counsel regarding operations that could be scrutinized under broadly defined domestic terrorism criteria and should assess governance and financial controls.

Source: [CBS News — FBI and IRS to Investigate Nonprofit Groups Over Suspected Domestic Terrorism Links](#)

## ● Treasury/OFAC Continues Crackdown on Sham Charities Channeling Funds to Hamas

On March 12, 2026, the Treasury Department's Office of Foreign Assets Control (OFAC) designated four additional sham charities — three based in Turkey and one in Indonesia — for directly funding Hamas's military wing while masquerading as humanitarian organizations. The action builds on January 2026 and June 2025 designations targeting Hamas's global charity network. U.S. nonprofit leaders and international funders must strengthen due diligence processes to avoid inadvertent transactions with sanctioned entities, including foreign partner organizations.

Source: [U.S. Department of the Treasury — Treasury Continues to Disrupt Hamas' Sham Charity Network as the Group Refuses to Disarm](#)

## ● House Ways and Means Committee Presses IRS to Intensify Nonprofit Fraud Oversight

On January 20, 2026, House Ways and Means Committee Republicans sent a letter to Acting IRS Commissioner Scott Bessent and IRS CEO Frank Bisignano urging a crackdown on nonprofit fraud following the \$250 million Feeding Our Future scandal in Minnesota. The committee has referred 11 nonprofits to the IRS for potential exemption revocation. Nonprofits should anticipate heightened IRS scrutiny of financial controls, grant management practices, and programmatic activities, especially those receiving federal funding

Source: [House Ways and Means Committee | Ways & Means Republicans Sound Alarm on Nonprofit Fraud \(Jan. 20, 2026\)](#)

## ● IRS Priority Guidance Plan Signals DEI-Linked 501(c)(3) Risk for Private Schools—Broad Nonprofit Implications

The IRS 2025-2026 Priority Guidance Plan, still active through June 2026, includes guidance on applying the fundamental public policy against racial discrimination to private schools' 501(c)(3) eligibility. Building on *Bob Jones University v. United States* (1983), the Trump administration may seek to expand the doctrine to challenge DEI-linked admissions and programs. The stakes are high: formal IRS guidance could threaten tax-exempt status for schools and potentially other nonprofits with race-conscious programs.

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

## ● 501(c)(3) Political Activity Restrictions Remain Central Compliance Risk in 2026 Election Cycle

The IRS continues to emphasize that tax-exempt organizations under Section 501(c)(3) are strictly prohibited from participating in political campaign activity. As the 2026 election cycle intensifies, nonprofits must carefully manage voter engagement, candidate appearances, and

public communications to avoid violations. Even inadvertent political activity can jeopardize tax-exempt status. Organizations should reinforce internal policies, conduct staff training, and document compliance decisions related to advocacy and public engagement efforts.

**Source:** Internal Revenue Service — [Restriction of Political Campaign Intervention by Section 501\(c\)\(3\) Tax-Exempt Organizations](#)

### ● **IRS 2026 Dirty Dozen: Fake Charity Scams Threaten Both Donors and Legitimate Nonprofits**

The IRS released its 2026 Dirty Dozen list on March 5, 2026, specifically naming fake charities as a major threat. Fraudsters exploit disasters by creating bogus nonprofits to solicit donations from the public. Only gifts to IRS-recognized tax-exempt organizations support valid deductions. Real nonprofits suffer reputational and donor trust damage when imposters operate nearby. Organizations should monitor their names online and direct donors to IRS.gov to verify status before giving

**Source:** [CPA Practice Advisor | IRS Dirty Dozen Tax Scams for 2026](#)

### ● **Executive Compensation Tax Exposure Remains Key Board-Level Planning Issue for 2026**

Changes affecting nonprofit executive compensation continue to require board-level attention, particularly regarding potential excise tax exposure under Section 4960. Organizations with highly compensated employees must evaluate compensation structures, identify covered individuals, and assess potential tax liabilities. As regulatory guidance evolves and enforcement focus increases, nonprofit boards and finance committees should proactively review compensation arrangements and ensure documentation supports compliance with federal tax rules governing excess compensation.

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

### ● **IRS Employee Retention Credit Enforcement Continues to Expand for Nonprofits**

The IRS continues to actively review and challenge Employee Retention Credit (ERC) claims, including those submitted by nonprofit organizations. The agency's enforcement efforts include audits, claim disallowances, and extended review timelines under updated statutes of limitation. Nonprofits that relied on third-party advisors or aggressive interpretations of eligibility face heightened risk of repayment, penalties, and prolonged examination. Organizations should review documentation and consider legal guidance to prepare for potential IRS inquiries

**Source:** <https://www.irs.gov/coronavirus/employee-retention-credit>

### ● **FBAR April 15 Deadline Approaching—Nonprofits With Foreign Accounts Must File or Risk Penalties**

Nonprofits with foreign financial accounts exceeding \$10,000 in aggregate at any point during 2025 must file FinCEN Form 114 (FBAR) with the Treasury Department by April 15, 2026. An automatic extension to October 15 is available without filing any request. Non-willful violations carry penalties up to \$16,536 per account; willful violations can reach \$165,353 or 50% of the account balance. The FBAR is filed separately from the Form 990 and other tax returns

Source: [KLR | 2026 FBAR Deadline Reminder & Filing Tips](#)

### **Form 990 May 15, 2026 Deadline Is Critical—Three Missed Filings Triggers Automatic Revocation**

Calendar-year nonprofits face a Form 990 filing deadline of May 15, 2026. Organizations may request a single six-month extension to November 15. However, under IRC Section 6033(j), failure to file for three consecutive years triggers automatic revocation of tax-exempt status—publicly posted by the IRS and visible to donors and funders. Reinstatement requires a formal application and carries retroactive tax exposure risk. Staff transitions and funding disruptions make this year’s compliance especially challenging

Source: [Wiss | Nonprofit Tax Filing Requirements and Deadlines for 2026](#)

### **Form 8976 for 501(c)(4) Organizations Now Required Through Pay.gov—Retrieval Window Closing**

Effective March 9, 2026, all Form 8976 “Notice of Intent to Operate Under Section 501(c)(4)” filings must be submitted electronically via Pay.gov with the \$50 user fee. The prior Electronic Notice Registration System has been retired. Organizations have only 30 days from March 9 to retrieve copies of past filings from the old system. Failure to access records before the window closes means retrieving them only from the IRS directly, causing delays

Source: [KPMG | IRS Revises Form 8976 Submission Process](#)

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## State Nonprofit Developments

### **Executive Summary:**

State-level regulatory, legislative, and enforcement developments are increasing operational pressure on nonprofit organizations nationwide. Attorneys general are expanding oversight of online fundraising platforms, while legislatures explore new taxation approaches and disclosure requirements. At the same time, survey data across multiple states highlights rising service demand, financial strain, and workforce challenges. Nonprofits must closely monitor evolving state requirements, strengthen compliance systems, and prepare for a future of greater state-level accountability and financial pressure.

### **Key Actions for This Section:**

- Audit all online fundraising platforms for unauthorized use of your organization’s name
  - Monitor state legislative developments affecting tax exemptions and reporting requirements
  - Review governance and charter language to ensure alignment with state laws
  - Prepare for increased disclosure requirements related to board and management demographics
  - Incorporate state-level financial and demand trends into strategic planning
  - Ensure timely compliance with state registration and reporting requirements
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### ● **State Attorneys General Continue Scrutiny of GoFundMe Over Unauthorized Charity Pages**

A bipartisan coalition of state attorneys general continues pressing GoFundMe over concerns involving unauthorized charity pages, inaccurate nonprofit information, and platform fee disclosures. The investigation highlights growing regulatory attention to online fundraising platforms and the risks posed when nonprofit names or missions are used without consent. Organizations should audit their presence on fundraising platforms, confirm control over campaigns using their name, and monitor evolving state enforcement actions affecting digital fundraising practices

.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>

### ● **PILOT-Style Property Tax Proposals Signal Growing State Revenue Pressure on Nonprofits**

Legislative proposals in states including South Carolina and New Hampshire continue to explore imposing PILOT-style charges or taxes on nonprofit property as governments respond to fiscal pressures. These measures reflect a broader national trend toward reevaluating nonprofit tax exemptions as a revenue source. Nonprofits, particularly hospitals and higher education institutions, should monitor these developments closely and assess potential financial exposure if similar policies expand to additional jurisdictions

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

### ● **Massachusetts: Second Federal Impacts Survey Shows 93% of Nonprofits Believe Country Is Worse Off**

At the March 5, 2026 “One Year In” summit hosted by The Boston Foundation and Massachusetts Nonprofit Network, new survey data from nearly 500 nonprofit leaders showed 93% believe the country is worse off than a year ago, and 85% say the communities they serve are deteriorating. Two-thirds reported rising service demand, with immigration enforcement and SNAP benefit cuts as top concerns. Massachusetts nonprofits are navigating a dual crisis of escalating need and shrinking resources, forcing difficult decisions about staffing, programming, and organizational survival amid continuing federal funding uncertainty.

Source: [GBH News | Mass. Nonprofits Faced with Rising Needs Yet Fewer Resources, Says Survey](#)

## ● **New York State: Nonprofit Law Senate Bill S8475 Advances Amid Federal Johnson Amendment Uncertainty**

New York State Senate Bill S8475 — the Nonpartisan Pulpit Act — has been posted on the NY Senate open legislation site as a pending 2025–2026 session bill sponsored by Senator James Skoufis. It would strip state tax exemptions from any 501(c)(3) found to engage in political campaign activity, creating a state-independent enforcement mechanism for nonprofit nonpartisanship. New York nonprofits, including religious organizations, should review political activity policies now. Even if the federal Johnson Amendment is weakened or repealed federally, New York’s proposed law would maintain stricter state-level consequences for partisan electioneering.

Source: [NY Senate Open Legislation | S8475 – Nonpartisan Pulpit Act](#)

## ● **New Jersey Nonprofit Survey Highlights Growing Demand and Financial Strain Across Sector**

The New Jersey Center for Nonprofits’ 2026 survey reports rising service demand, increasing expenses, and continued financial pressure across the sector. Many organizations report difficulty meeting community needs amid funding uncertainty and workforce challenges. The findings reinforce national trends identified in federal policy developments, showing that operational strain is already affecting nonprofit capacity at the state level. Leaders should incorporate these conditions into financial planning and strategic decision-making

.Source: <https://njnonprofits.org/2026annualsurveyrpt/>

## ● **Texas: Attorney General Paxton Escalates Use of Quo Warranto and New Laws to Target Nonprofits**

In February 2026, Texas Attorney General Ken Paxton filed multiple lawsuits using quo warranto—a 150-year-old mechanism allowing the state to revoke a nonprofit’s corporate charter—combined with new laws effective January 2026. The strategy allows charter dissolution and fines up to \$200,000 without proving criminal wrongdoing. Texas nonprofits engaged in immigration services, voter education, or advocacy work face an elevated threat of investigation and potential dissolution. Organizations should review corporate purpose language, ensure activities align precisely with their stated charters, and seek legal counsel immediately

Source: [Texas Signal | A New Legal Terrain for Texas Nonprofits](#)

## ● **New Jersey (S3881): Introduced Bill Would Require Nonprofits to Report Board and Management Demographics to State Treasurer**

New Jersey Senate Bill 3881, introduced March 12, 2026 and referred to the Senate Commerce Committee, would require the State Treasurer to collect and study aggregated demographic information—including race, ethnicity, and gender—from the boards and senior management of corporations filing annual reports, including nonprofit corporations. If enacted, this would expand what New Jersey nonprofits must disclose in their annual Treasury filings. Given the ongoing federal court challenge to a similar Illinois law, New Jersey nonprofits should track this bill closely and consult legal counsel about DEI-related disclosure risks

Source: [LegiScan | New Jersey S3881 \(2026–2027 Regular Session\)](#)

## ● **California: Charity Renewal Deadline Extended to April 30, 2026; New Online Filing System Coming**

The California Attorney General's Registry of Charities and Fundraisers has extended the renewal filing deadline to April 30, 2026, for all charities whose renewals were due between January 7, 2025, and April 30, 2026—no request needed. The relief is tied to the Registry's planned launch of a new Online Filing Service for all registrants and submission types in 2026. California nonprofits that are delinquent or behind on filings should act now. Under AB 488, charities out of good standing can be blocked from receiving donations through online fundraising platforms within five business days of a status lapse

Source: [California Department of Justice | Charities Registry – Annual Registration Renewal](#)

## ● **Pennsylvania Annual Reporting Requirements Enter Final Transition Year Before Enforcement**

Pennsylvania nonprofits remain in the final transition phase of Act 122 annual reporting requirements, with enforcement consequences beginning in 2027. Organizations that fail to file required reports risk administrative dissolution and loss of name protection. The Department of State has emphasized the importance of timely filings as the new system replaces the previous decennial reporting framework. Nonprofits operating in Pennsylvania should confirm compliance systems are in place well ahead of enforcement deadlines

Source: <https://www.pa.gov/agencies/dos/programs/business/types-of-filings-and-registrations/annual-reports>

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# **Weekly Theme Section: Federal Policy Developments Affecting Nonprofits**

*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 recent 2025-26 federal and state policy developments that will directly impact 2026 nonprofit operating resilience and mission success..*

## **Executive Summary:**

Federal policy developments are fundamentally reshaping the operating environment for nonprofit organizations. A coordinated federal fraud enforcement strategy, sweeping Medicaid funding reductions, and expanding grant compliance requirements are increasing financial and

legal risk. At the same time, evolving election rules, contractor classification standards, and new federal certifications are introducing additional uncertainty. Nonprofits must take a proactive, enterprise-wide approach to compliance, financial planning, and governance to navigate these intersecting policy changes.

### **Key Actions for This Section:**

- Conduct enterprise-wide fraud risk and compliance assessments
- Model financial impact scenarios related to Medicaid and federal funding changes
  
- Review all federal grant agreements and certification requirements
- Audit contractor classifications and employment practices
- Strengthen election-year compliance policies and staff training
- Develop contingency plans for sudden grant terminations

### **New Fraud Task Force and DOJ Division Explicitly Target Federally Funded Nonprofits**

On March 16, 2026, President Trump signed an executive order creating a Task Force to Eliminate Fraud, chaired by Vice President Vance, with authority to investigate fraud in federal benefit programs — explicitly including nonprofit organizations, intermediaries, and service providers. This followed the January 8, 2026 announcement of the DOJ's new Division for National Fraud Enforcement, whose mandate by name covers fraud at nonprofits receiving federal funds. With FY 2025 FCA recoveries hitting a record \$6.8 billion and 1,297 whistleblower suits filed, nonprofits must treat fraud prevention and compliance documentation as urgent governance priorities.

Source: [Mayer Brown, President Signs Executive Order Creating Fraud Task Force \(March 17, 2026\)](#)

### **Medicaid Cuts Threaten Nonprofit Health Providers with Rising Uncompensated Care**

The One Big Beautiful Bill Act signed July 4, 2025 enacted nearly \$911 billion in federal Medicaid spending reductions over ten years. Beginning in 2026, states face new restrictions on the provider tax financing tools they relied on to sustain Medicaid budgets, while work requirements take effect by late 2026. Nonprofit community health centers are especially exposed: research estimates that 5.6 million of their Medicaid patients in expansion states could lose coverage, generating revenue losses approaching \$32 billion over five years. Leaders must model financial scenarios and develop contingency service-delivery strategies now.

Source: [KFF, Medicaid: What to Watch in 2026 \(January 23, 2026\)](#)

### **Heightened Federal Grant Compliance Demands More from Nonprofit Finance Teams**

Federal grant oversight has shifted dramatically under an August 2025 executive order and recent Uniform Guidance updates. Agencies now designate senior political appointees to review all discretionary grants, require written justification for each fund drawdown, and prioritize outcomes-driven, data-backed performance reporting. Subrecipient monitoring expectations have also intensified. Compliance has evolved from a periodic audit concern into a daily operational discipline. Organizations must modernize

financial systems, invest in staff training, and implement continuous monitoring protocols to avoid funding disruption, delayed reimbursements, or outright award termination

Source: [EisnerAmper, Policy Watch: What's Next in Federal Grants Regulations \(February 17, 2026\)](#)

## ● DOL Proposes Reverting Independent Contractor Classification Rules — Nonprofits Must Act

The Department of Labor published a proposed rule on February 27, 2026 that would rescind the Biden-era six-factor contractor classification test and restore a simpler two-factor emphasis from the 2021 rule. For the first time, the proposed rule also extends independent contractor analysis to the Family and Medical Leave Act and related statutes. Nonprofits that rely on contractors — consultants, program staff, and gig workers — face both regulatory opportunity and uncertainty. Comments are due April 28, 2026. Leaders should audit all contractor arrangements now and prepare documented evidence of worker independence to reduce misclassification risk.

Source: [Jackson Lewis, DOL's Proposed 2026 Independent Contractor Rule: What Employers Need to Know \(February 27, 2026\)](#)

## ● 2026 Elections Require Nonprofits to Tighten Political Activity Guardrails

As the 2026 midterm election cycle intensifies, 501(c)(3) organizations face heightened IRS risk if activities are perceived as partisan, even unintentionally. The absolute prohibition on campaign intervention covers voter guides that imply candidate preference, partisan speaking events, and social media links to political content. Permissible lobbying activities have generous spending limits but still require meticulous tracking and year-round disclosure. Organizations should review election-year policies now, provide board and staff training, and consider filing IRS Form 5768 to operate under clearer expenditure-based lobbying standards.

Source: [Charitable Allies, 501\(c\)\(3\) Lobbying Limits: What Nonprofits Need to Know Before Advocating \(December 5, 2025\)](#)

## ● New SAM.gov Grant Certifications Demand Urgent Nonprofit Attention

On January 28, 2026, the General Services Administration proposed sweeping new certifications in the SAM.gov portal requiring nonprofits — under penalty of civil and criminal law — to attest compliance with vague standards tied to executive orders and DOJ guidance on DEI, immigration, and terrorism. The certifications provide no clear compliance roadmap, making it nearly impossible for many organizations to determine whether they qualify. The public comment period closes March 30, 2026, or depending on when you are reading this summary has already ended. Nonprofit leaders should consult legal counsel before renewing SAM.gov registrations or accepting new federal financial assistance awards.

Source: [Charity Lawyer Blog, Take Action Now: New Federal Grant Certifications Create Real Risk for Nonprofits \(March 16, 2026\)](#)

## ● Johnson Amendment Challenge Awaits Pivotal Texas Court Decision

As of February 2026, the U.S. District Court for the Eastern District of Texas is poised to enter a consent decree that would effectively exempt churches from enforcement of the Johnson Amendment — the 70-year-old law prohibiting 501(c)(3) organizations from endorsing political candidates. The IRS reversed its prior position and agreed not to enforce the law against the plaintiff churches. A decision is expected before spring 2026 and could trigger broader appeals. All nonprofits should monitor the case closely, as any erosion of the Johnson Amendment carries wide implications for the sector's legally protected nonpartisan status.

Source: [Perlman & Perlman, Can New York Save the Johnson Amendment? \(February/March 2026\)](#)

## ● **Grant Termination-for-Convenience Clauses Expose Nonprofits to Sudden Funding Loss**

An August 7, 2025 executive order directed all federal agencies to incorporate termination-for-convenience clauses into discretionary grant agreements, allowing immediate award termination when grants no longer align with administration priorities — even when a recipient is fully compliant. Agencies are required to retroactively revise existing award terms as well. Nonprofits must now understand their rights when facing termination, prepare Termination Settlement Proposals identifying recoverable costs, and maintain rigorous documentation. Building financial reserves, diversifying revenue streams, and retaining specialized legal counsel have become essential components of responsible federal grant management.

Source: [Greenberg Traurig, Trump Administration Executive Order Requires Enhanced Oversight, Termination for Convenience Clauses in Federal Grants \(August 2025\)](#)

## ● **No Tax Dollars for Terrorists Act Poses Serious Due Process Concerns**

Senators Cornyn and Sheehy introduced S.3554, which would authorize the Treasury Department to revoke the tax-exempt status of any nonprofit it designates as providing material support to terrorist organizations. Critics — including national nonprofit advocacy organizations — argue the bill provides insufficient due process protections and could be weaponized to target organizations that simply oppose current administration policy priorities, not actual terrorism supporters. Nonprofit leaders should track the bill's progress in the 119th Congress, review their governance and grant-making practices, and consult legal counsel to assess exposure under broadly drafted anti-terrorism legislation.

Source: [PBS NewsHour, What to Know About the House Bill That Could Punish Nonprofits Over Alleged 'Terrorist' Ties \(November 2024\)](#)

## ● **False Claims Act Weaponized Against Nonprofits' DEI Programs**

At a February 2026 federal conference, the Department of Justice outlined how it would deploy the False Claims Act against federal grant recipients whose DEI-related employment or program practices constitute unlawful discrimination by race or sex. The DOJ asserted that anti-discrimination compliance is material to all federal payment decisions, creating exposure not just to grant termination but also to substantial civil liability and qui tam whistleblower suits. Nonprofits receiving federal funding must audit internal DEI programs, hiring practices, and all grant certifications, ensuring that every written policy aligns with federal anti-discrimination requirements.

Source: [Holland & Knight, DOJ Outlines FCA Enforcement for Contractor Violations of Anti-Discrimination Laws \(February 2026\)](#)

## ● **OBBBA Spending Cuts Cascade Into State Budgets, Driving Up Nonprofit Service Demand**

As states draft FY 2027 budgets, the One Big Beautiful Bill Act's mandatory spending reductions are generating severe downstream pressure on nonprofits. New state cost-sharing requirements for SNAP take effect October 2026, and Medicaid work requirements begin as early as January 2027, with states required to conduct eligibility redeterminations every six months. Forecasts from 31 states project median FY 2027 tax growth of only 2.3%, sharply below recent norms, forcing cuts to state-funded programs that partner with nonprofits. Organizations should expect rising service demand alongside shrinking public funding — a compounding challenge requiring immediate financial contingency planning.

## Summary

The March 30, 2026 Navigator News Update reflects a nonprofit operating environment defined by escalating federal enforcement, expanding compliance expectations, and growing financial pressure across all levels of government.

At the federal level, a coordinated multi-agency fraud enforcement strategy—combined with expanded False Claims Act exposure, new grant certification requirements, and heightened IRS scrutiny—is significantly increasing legal and operational risk for nonprofits, particularly those receiving federal funding. These developments make clear that compliance must now function as a continuous, organization-wide discipline rather than a periodic obligation.

Human resources risks are also intensifying. Immigration enforcement, EEOC actions targeting DEI practices, and evolving Department of Labor standards are reshaping workforce management and increasing exposure across hiring, classification, and workplace programming. At the same time, changes to Public Service Loan Forgiveness introduce new challenges for employee recruitment and retention.

Financial oversight and tax compliance pressures continue to grow. IRS enforcement initiatives, foreign account reporting requirements, Form 990 deadlines, and Employee Retention Credit reviews demand immediate attention from nonprofit leadership and boards.

At the state level, nonprofits face increasing regulatory scrutiny, potential expansion of tax burdens, and new disclosure requirements, all while navigating rising service demand and financial strain.

Finally, this week's federal policy theme underscores the broader structural challenges ahead. Medicaid funding reductions, shifting federal grant requirements, election-year compliance risks, and potential legislative changes affecting nonprofit status collectively signal a long-term transformation in how nonprofits must operate, govern, and plan.

The overarching takeaway is clear: nonprofit leaders must act now to strengthen governance, compliance systems, financial resilience, and strategic planning capabilities to successfully navigate an increasingly complex and high-risk environment.

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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.

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