

Abstract

The nonprofit sector is confronting one of the most volatile operational environments in modern history. Federal grant terminations now exceed \$49 billion, new DEI-related compliance certifications threaten False Claims Act exposure, IRS and DOJ oversight is intensifying, and state privacy and AI laws are rapidly expanding nonprofit compliance obligations. Simultaneously, workforce pressures involving PSLF eligibility, AI integration, labor regulation, and escalating EEOC enforcement are reshaping nonprofit HR management. This May 4, 2026 Navigator News Update provides nonprofit executives, board members, compliance officers, and advisors with a curated analysis of the most urgent legal, regulatory, funding, governance, and operational developments affecting organizations nationwide. The report highlights actionable risks, emerging compliance obligations, and strategic operational considerations essential for organizational resilience in an increasingly uncertain environment.

May 4, 2026 Navigator News Update: DHS Shutdown Ends, Anti-DEI Certifications, First DEI & FCA Settlements, and More!

From Nonprofit Management Navigator

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

Introduction

Nonprofit leaders continue to face accelerating operational disruption driven by federal funding instability, heightened compliance enforcement, expanding state regulatory requirements, and major workforce challenges. The pace and scope of these developments now require nonprofit executives and boards to move beyond traditional compliance management toward continuous organizational resilience planning.




This week's Navigator News Update focuses heavily on the growing intersection between federal funding, DEI-related certifications, False Claims Act liability, nonprofit workforce management, AI governance, and escalating federal and state oversight. Several developments included in this report could fundamentally reshape how nonprofits manage federal grants, workforce policies, tax-exempt operations, donor communications, and governance oversight over the next 12–24 months.

The developments summarized below collectively reinforce a central reality for nonprofit leaders: organizations can no longer assume stability in funding, regulation, or operating

expectations. Strategic adaptability, legal preparedness, and proactive governance oversight are becoming essential organizational survival tools.

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 regulatory and funding risks confronting nonprofits continue to intensify at unprecedented speed. Massive DOGE-driven grant terminations, expanding DEI-related certification requirements, growing False Claims Act exposure, and escalating DOJ and IRS investigative initiatives collectively signal a fundamental restructuring of the federal nonprofit operating environment. Simultaneously, the administration's FY2027 budget proposals, foreign aid restrictions, and pending Harvard litigation reinforce the growing instability of historical federal funding protections. Nonprofits must immediately strengthen governance oversight, diversify revenue streams, conduct comprehensive compliance reviews, and prepare for sustained operational uncertainty across virtually every federally funded program area.

Key Actions for This Section

- Conduct immediate reviews of all federal grants, certifications, and DEI-related compliance representations
- Diversify organizational revenue sources to reduce dependence on federal funding streams
- Review SAM.gov registrations and prepare for potential new DEI certification requirements
- Develop contingency funding and workforce reduction scenarios tied to possible grant terminations
- Conduct legal reviews of race-conscious employment, scholarship, and programmatic practices
- Strengthen internal documentation, governance oversight, and False Claims Act compliance protocols
- Monitor pending federal litigation and executive actions affecting grant termination authority
- Review foreign aid compliance obligations for organizations operating internationally

● Congress Ends 75-Day DHS Shutdown: ICE Excluded, \$70 Billion Enforcement Bill Looms

On April 30, 2026, Congress ended a historic 75-day DHS shutdown, passing a bipartisan bill that President Trump immediately signed, restoring funding for TSA, FEMA, the Secret Service, and the Coast Guard, but excluding ICE and Border Patrol. Republicans will pursue a separate \$70 billion immigration enforcement bill through budget reconciliation in May. For nonprofits, FEMA's grants management system was non-operational throughout the shutdown, freezing disbursements, suspending security grant reviews, and blocking new applications. Restoration of funding will not mean immediate relief — the processing backlog could delay awards and reimbursements for months.

Sources: [CNN](#) | [Fortune](#) | [CBS News](#) | [Granted AI](#)

● DOJ Indicts Southern Poverty Law Center on 11 Counts of Wire Fraud, Bank Fraud, and Conspiracy to Commit Money Laundering; IRS Criminal Investigation Assists

A federal grand jury in Alabama indicted the Southern Poverty Law Center on April 21, 2026 on 11 counts of wire fraud, bank fraud, and conspiracy to commit money laundering. DOJ alleged the SPLC secretly paid over \$3 million to informants affiliated with extremist groups — including the Ku Klux Klan — through fictitious bank entities, concealing transactions from donors and banks. The SPLC denies wrongdoing. IRS Criminal Investigation assisted. The case signals intensifying DOJ scrutiny of nonprofit donor stewardship and fund disclosure practices.

Source: [U.S. Department of Justice — Office of Public Affairs \(April 21, 2026\)](#)

● Report: Palantir Assisting IRS Criminal Investigation Division in Large-Scale Data Mining Operation Analyzing Tax-Exempt Organization Financial Data

Public records reveal the IRS has paid Palantir Technologies \$130 million since 2018 to operate its Lead and Case Analytics platform — aggregating tax returns, bank statements, healthcare data, and Financial Crimes Enforcement Network records. Under the Trump administration, IRS Criminal Investigation has reportedly shifted priorities toward organizations viewed as politically disfavored. Nonprofits whose financial records, donor lists, and organizational relationships appear in federal databases face significantly elevated surveillance and investigation risk.

Source: [TechCrunch \(April 24, 2026\)](#)

● DOGE-Driven Grant Terminations Surpass \$49 Billion — An Existential Threat to the Nonprofit Sector

DOGE has terminated 15,887 federal grants totaling \$49 billion — the most significant funding disruption in nonprofit history. NSF lost \$1 billion; AmeriCorps, \$400 million; TRIO programs, \$660 million. Surveys show 85% of nonprofits report impact, 51% have lost grants, and 24% have cut staff. The pre-2025 federal grant ecosystem will not return. Nonprofits must urgently diversify revenue toward private foundations, corporate partners, and earned income strategies. Passive reliance on federal funding is no longer viable.

Source: [Granted AI — DOGE Federal Grant Terminations: Nonprofit Survival Guide 2026 \(March 1, 2026\)](#)²

● **Proposed SAM.gov Anti-DEI Certification Requirement — Finalization Imminent, FCA Exposure Attached**

GSA's proposed rule requiring all SAM.gov registrants — including every nonprofit seeking federal grants — to certify their programs exclude "illegal DEI" practices is expected to be finalized imminently. Because SAM.gov registration is a prerequisite for federal financial assistance, this affects the broadest possible universe of nonprofit grant recipients. False certification risks False Claims Act liability or criminal prosecution. Organizations must complete DEI legal reviews now and prepare for immediate SAM.gov registration updates upon finalization.

Source: [Feldesman LLP — Proposed SAM.gov Registration Adds DEI and Immigration Certifications for Federal Grantees \(February 2026\)](#)

● **Trump Administration Appeals Harvard's \$2.7 Billion Grant Restoration — A Defining Bellwether for the Entire Nonprofit Sector**

The Trump administration's First Circuit appeal to reinstate its \$2.7 billion freeze on Harvard's federal funding is the sector's most consequential pending legal test. Federal lawyers argue agencies can revoke grants based on shifting priorities, outside formal enforcement processes. A ruling affirming that authority would expose every federally funded nonprofit to abrupt, politically motivated terminations with minimal judicial recourse. Until resolved, no organization can assume historical grant protections remain intact. Contingency funding planning is essential now.

Source: [The Harvard Crimson — Trump Funding Freeze Appeal \(April 16, 2026\)](#)

● **FBI and IRS Form Joint Initiative to Investigate Nonprofits for Suspected Domestic Terrorism Links**

The FBI and IRS Criminal Investigation division have established a joint initiative to examine nonprofits for suspected domestic terrorism links, implementing former Attorney General Bondi's December 2025 memorandum under National Security Presidential Memorandum-7 (NSPM-7). A multi-agency 'mission control command center' will review nonprofit financial networks and organizational relationships. Civil liberties advocates and legal experts have raised concerns about targeting organizations based on ideological grounds, warning of serious compliance, governance, and First Amendment risks for the sector.

Source: [CBS News \(March 18, 2026\)](#)

● **DOJ Civil Rights Fraud Initiative Secures First FCA Settlement — \$17 Million Against IBM, Placing Every Federally Funded Nonprofit on Notice**

DOJ's \$17 million False Claims Act settlement with IBM — the first under its Civil Rights Fraud Initiative — directly warns every federally funded nonprofit. DOJ alleged IBM maintained race- and sex-conscious employment practices while certifying anti-discrimination compliance from 2019–2026. Nonprofits face identical exposure. With DOJ recovering a record \$6.8 billion under the FCA in FY 2025, enforcement is accelerating. Any nonprofit certifying DEI compliance while operating race-conscious programs must conduct immediate legal review.

Source: [Foley Hoag LLP — DOJ Announces First False Claims Act Settlement Under Civil Rights Fraud Initiative \(April 2026\)](#)

● **Anti-DEI Executive Orders Now Carry Enforceable Contractual Consequences for Nonprofits With Federal Funding**

A March 26, 2026 executive order, building on the January 2025 Executive Orders 14151 and 14173, now mandates a contract clause in all federal contracts prohibiting 'racially discriminatory DEI activities.' Noncompliance can trigger contract cancellation, debarment, and False Claims Act exposure. Although framed as a contractor directive, nonprofits receiving federal grants face closely parallel certification and compliance requirements. Organizations must immediately audit DEI-related programs, vendor agreements, and grant certifications or risk severe legal and financial consequences.

Source: [Pillsbury Law — Client Alert \(April 2026\)](#)

● **Trump FY2027 Budget Proposes Elimination of AmeriCorps, Community Services Block Grant, and Deep Non-Defense Cuts Affecting Nonprofits**

The White House FY2027 budget request proposes eliminating AmeriCorps (requesting \$107.7 million for orderly shutdown), fully defunding the Community Services Block Grant (\$770 million), and cutting non-defense discretionary spending by 10%, or \$73 billion. The budget also proposes eliminating the Institute of Museum and Library Services and National Endowments for the Arts and Humanities. Congress must approve the proposal, but the signal is clear: the administration intends to shift service delivery burdens to the private and nonprofit sectors without replacement funding.

Source: [National Association of Counties — White House Budget Analysis \(April 3, 2026\)](#)

● **State Department's Sweeping New Foreign Aid Rules Impose Restrictions on Abortion, Gender Ideology, and DEI Activities**

Effective February 26, 2026, the State Department's 'Protecting Life in Foreign Assistance' policy dramatically expands the historic Mexico City Policy to prohibit all U.S.-funded nonprofits from providing abortion services, promoting gender ideology, or engaging in DEI activities — even using non-U.S. funds. Applying across all foreign assistance categories, including humanitarian response and education, the three-part policy creates compliance conflicts for organizations with multiple donors. Experts warn the rules may disqualify the most experienced, effective partners in U.S. foreign assistance programs.

Source: [Devex \(January 28, 2026\)](#)

● **Federal Grant Compliance Conditions Intensify: New DEI Certifications and False Claims Act Exposure Require Immediate Attention**

Federal grant recipients face a rapidly expanding compliance environment as agencies incorporate DEI-related certifications in grant agreements pursuant to Executive Orders 14151 and 14173. Nonprofit grant recipients that certify compliance falsely could face False Claims Act liability and grant termination. The pending GSA revision to SAM.gov financial assistance assurances would codify these requirements across all federal financial assistance categories. Nonprofits must review all current grants, program structures, staff training, and subrecipient arrangements before their next renewal cycle.

Source: [Venable LLP — Government Grants Practice Alert \(March 2026\)](#)

● **Nonprofits Face 'Doing More with Less' Crisis: 85% Impacted by Federal Cuts, Sector Scrambles to Adapt**

An Instrumentl survey of 300+ nonprofit leaders found that 85% have been impacted by federal funding changes and 92% are adjusting strategies. The dominant adaptation is diversification

into private and corporate grants (82%) but replacing a single \$2 million federal grant may require 10-20 smaller private awards — an unsustainable workload. The Nonprofit Finance Fund warns of a growing sector bifurcation: larger organizations may survive, while smaller, mission-critical nonprofits dependent on federal funding face restructuring, merger, or closure.

Source: [Instrumentl — Federal Funding Changes Survey Report \(2025/2026\)](#)

Candid Research: “Bystander Effect” Keeping Donors and Funders on the Sidelines as Nonprofits Face Record Funding Crisis

A new Candid analysis (April 27, 2026) by Dr. Cathleen Clerkin finds that a well-documented social psychology phenomenon—the bystander effect—is contributing to donor and funder inaction as nonprofits confront unprecedented federal funding cuts. When many potential supporters observe the same emergency simultaneously, individual responsibility diffuses and fewer act. Candid identifies five research-backed strategies to break this pattern and move funders from passive observers to committed partners, giving nonprofit fundraisers practical tools for this critical moment.

Source: [Candid — Philanthropy Research Blog \(April 27, 2026\)](#)

Nonprofit Human Resources Developments

Executive Summary

Nonprofit workforce management is entering a period of substantial legal, operational, and technological disruption. Changes involving PSLF eligibility, EEOC anti-DEI enforcement, evolving independent contractor standards, AI-related employment liability, NLRB reversals, and expanded joint employer rules collectively create a far more complex HR compliance environment for nonprofit employers. Simultaneously, organizations are increasingly expected to coordinate employees, volunteers, and AI systems within mission delivery operations. Nonprofit leaders must immediately reassess workforce policies, DEI practices, AI governance, contractor classifications, employee handbooks, and compliance oversight structures to reduce growing litigation, regulatory, and operational risks.

Key Actions for This Section

- Conduct immediate legal reviews of DEI-related workforce policies, ERGs, affinity groups, and mandatory training programs
- Review PSLF eligibility risks and communicate potential impacts to employees before July 1 deadlines
- Audit independent contractor classifications and staffing arrangements for possible DOL changes
- Evaluate AI-assisted hiring and HR systems for disparate impact and bias risks
- Review employee handbooks, severance agreements, and labor policies in anticipation of possible NLRB reversals
- Assess exposure under proposed joint employer standards involving staffing agencies and

subcontractors

- Strengthen documentation surrounding hiring, compensation, accommodation, and disciplinary decisions
 - Review heat illness prevention programs for outdoor and field-based employees ahead of summer operations
 - Monitor state overtime exemption thresholds in addition to federal standards
 - Develop strategic workforce planning models integrating employees, volunteers, and AI systems
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● **PSLF at a Crossroads — July 1 Deadline, "Substantial Illegal Purpose" Rule, and the RAP Transition Threaten a Core Nonprofit Workforce Tool**

A July 1, 2026 rule empowers the Education Secretary to strip nonprofits of PSLF eligibility for "substantial illegal purpose," instantly disqualifying all employees — a severe threat to recruitment and retention. Simultaneously, SAVE is eliminated, PAYE and ICR stop accepting enrollees July 1, and Parent PLUS loans must be consolidated by June 30 or permanently lose eligibility. The new RAP plan qualifies for PSLF but extends forgiveness to 30 years. Three lawsuits challenge the rule; no injunction has been issued.

Source: [Stanley Tate, JD — Student Loan Changes on July 1, 2026: What Borrowers Need to Do \(updated March 23, 2026\)](#)

● **DOL Proposed Rule to Rescind 2024 Independent Contractor Standard — Comment Period Closes April 28, 2026**

The Department of Labor's 60-day comment period for its proposed rule rescinding the Biden-era 2024 independent contractor classification standard closes April 28, 2026. Restoring the 2021 'economic reality' framework, the proposal elevates two core factors — worker control and opportunity for profit or loss — above others. If finalized, it would apply uniformly to the FLSA, FMLA, and MSPA. Nonprofits relying on contractors, gig workers, or program staffing should review their classification practices now — the final rule could significantly reshape compliance requirements.

Source: [U.S. Department of Labor — WHD \(February 26, 2026\)](#)

● **EEOC Reaches First Nonprofit DEI Enforcement Settlement — \$500,000 Against Planned Parenthood of Illinois — Sector-Wide Enforcement Intent Declared**

The EEOC's \$500,000 settlement with Planned Parenthood of Illinois — its first-ever DEI enforcement action against a nonprofit — signals sector-wide intent. The EEOC found race-segregated affinity caucuses, mandatory DEI training targeting white employees, and unequal time-off practices violated Title VII. Chair Lucas has committed to aggressive pattern-or-practice enforcement, already suing Coca-Cola and subpoenaing Nike. Nonprofits with race- or sex-conscious ERGs, hiring targets, or mandatory DEI training face equivalent exposure regardless of mission. Immediate legal review is essential.

Source: [U.S. EEOC — Planned Parenthood of Illinois to Pay \\$500,000 \(March 19, 2026\)](#)

● DOJ Civil Rights Fraud Initiative — HR and Employment Practices Dimension Extends FCA Liability to Nonprofit Workforce Decisions

The DOJ Civil Rights Fraud Initiative targets all federal grant recipients with race- or sex-conscious employment practices who certified anti-discrimination compliance — prosecuting conduct back to January 2019. Past DEI hiring and compensation decisions now carry current FCA liability. The initiative covers all federal funds recipients, not just contractors. For nonprofits, FCA liability, treble damages, and qui tam whistleblower incentives make this one of the most serious legal threats the sector has confronted in decades.

Source: [Akin Gump Strauss Hauer & Feld LLP — DOJ Announces First-Ever False Claims Act Settlement Concerning Alleged Illegal DEI Practices \(April 2026\)](#)

● EEOC Withdraws Federal AI Hiring Guidance — Compliance Vacuum Leaves Nonprofits Navigating Disparate Impact Risk Alone

The EEOC's withdrawal of its 2023 AI hiring guidance creates a compliance vacuum as AI-assisted HR tools proliferate across the sector. The withdrawal does not reduce legal risk — employers remain fully liable under Title VII for AI-driven disparate impact, regardless of vendor responsibility. Colorado's AI Act, effective June 30, 2026, adds state obligations requiring bias assessments for high-risk employment AI. Nonprofits using AI in hiring or HR decisions must conduct disparate impact assessments and establish ongoing monitoring now.

Source: [DISA Global Solutions — AI in HR & Background Screening: Compliance Risks for 2026 \(January 6, 2026\)](#)

● Coordinating Employees, Volunteers, and Increasingly AI to Fulfill a Nonprofit's Mission and Deliver Services

A major March 2026 report by Benevity found corporate employee volunteering at record levels, but surfaced a critical gap: 71% of nonprofits identify AI operational integration as an urgent priority, yet only 3% use it extensively. Successful nonprofits are reimagining the division of labor — AI handles coordination and data tasks, skilled volunteers amplify AI outputs with professional judgment, and staff focus on relationships. Bridging this gap demands strategic workforce planning and intentional AI adoption now.

Source: [Benevity — State of Corporate Volunteering 2026 Report](#)

● EEOC Reports \$660 Million for 17,680 Discrimination Victims in FY2025; FY2027 Plan Signals Anti-DEI and Religious Accommodation Enforcement Priorities

The EEOC's FY2025 performance report disclosed nearly \$660 million recovered for 17,680 discrimination victims — its third-highest total ever — with a record \$528 million secured pre-litigation. The companion FY2027 performance plan signals that the agency under Chair Lucas will prioritize cases involving unlawful DEI practices and religious accommodation. Nonprofits should audit hiring, workplace policies, and DEI-related programs immediately — the agency now has a quorum and is positioned to significantly expand its enforcement litigation pace.

Source: [U.S. Equal Employment Opportunity Commission \(April 6, 2026\)](#)

● NLRB Third Republican Vote Imminent: Eight Biden-Era Labor Decisions Likely to Be Overturned, Including Handbook Rules and Severance Restrictions

President Trump's April 13 nomination of James Macy to the NLRB would give the Board a three-vote Republican majority — required to overturn precedent. Among likely targets: the Stericycle handbook policy standard, McLaren Macomb severance restrictions, and the Cemex union recognition framework. Nonprofit employers who revised employee handbooks, severance agreements, or organizing-response policies under Biden-era Board standards should prepare to reassess them again — significant compliance shifts are expected once Macy is confirmed.

Source: [Fisher Phillips — Labor Relations Insights \(April 2026\)](#)

● **DOL Issues Proposed Joint Employer Rule Under FLSA, FMLA, and MSPA; Comment Period Open Through June 22, 2026**

On April 22, 2026, the DOL proposed a nationwide standard for joint employer status under the FLSA, FMLA, and MSPA. Using a four-factor test focused on actual control — hiring, firing, supervision, and pay determination — the rule would create joint and several liability when two or more employers share control over a worker. Nonprofits using staffing agencies, subcontractors, or shared service arrangements face potential wage, overtime, and leave liability exposure. Comments are due June 22, 2026.

Source: [Littler — ASAP \(April 22, 2026\)](#)

● **OSHA Updates Heat National Emphasis Program Effective April 10, 2026; Random Inspections Now Authorized on Heat Advisory Days**

On April 10, 2026, OSHA issued a revised five-year National Emphasis Program for workplace heat hazards, effective immediately through 2031. New provisions authorize random inspections in 55 high-risk industries on days when the National Weather Service issues a heat advisory — without requiring a prior complaint or incident. Absent a finalized federal heat standard, OSHA retains General Duty Clause citation authority. Nonprofits with outdoor workers, facilities staff, or field-based service delivery must review heat illness prevention protocols now as summer approaches.

Source: [Occupational Safety and Health Administration — OSHA Quick Takes \(April 10, 2026\)](#)

● **Federal Overtime Exemption Salary Threshold Remains at \$684/Week After Biden-Era Rule Vacated; State Thresholds Create Additional Compliance Risk**

Following a federal court's November 2024 decision vacating the Biden administration's overtime rule, the executive, administrative, and professional salary exemption threshold reverted to \$684 per week (\$35,568 annually). The DOL is not currently enforcing higher thresholds. However, multiple states maintain their own, substantially higher, salary thresholds — creating a complex patchwork of requirements. Nonprofit HR leaders must track both federal and applicable state salary thresholds to avoid misclassification penalties and litigation exposure.

Source: [U.S. Department of Labor — WHD Earnings Thresholds \(2026\)](#)

IRS, Accounting and Finance Developments

Executive Summary

Federal tax, financial reporting, and enforcement risks affecting nonprofits continue to expand rapidly. IRS whistleblower initiatives, anticipated DEI-related tax-exempt guidance, enhanced Form 990 disclosure requirements, expanded executive compensation excise taxes, and growing DOJ scrutiny collectively signal a far more aggressive federal oversight environment for tax-exempt organizations. Simultaneously, major charitable deduction restructuring under the One Big Beautiful Bill Act and sweeping revisions to group exemption rules will significantly alter fundraising, governance, and organizational compliance practices. Nonprofits must immediately strengthen governance controls, documentation systems, compensation oversight, donor communications, and grant-management procedures to prepare for intensified federal examination and enforcement activity.

Key Actions for This Section

- Confirm Form 990 and Form 990-T filing compliance before the May 15 deadline or file Form 8868 extensions immediately
- Conduct internal reviews of federal grant management, fraud controls, and whistleblower reporting procedures
- Audit race-conscious scholarship, hiring, grantmaking, and program eligibility practices with legal counsel
- Prepare for expanded Form 990 disclosure requirements involving government grants and fiscal sponsorship arrangements
- Review executive compensation practices and board documentation procedures in light of expanded Section 4960 excise taxes
- Update donor communications and fundraising strategies to reflect new charitable deduction limitations and opportunities
- Review group exemption structures and compliance oversight before the January 2027 transition deadline
- Strengthen donor stewardship, transparency, and financial controls to reduce enforcement and reputational risks
- Assess data governance and cybersecurity protections in light of growing federal data mining and surveillance capabilities
- Monitor IRS and Treasury guidance developments involving tax-exempt status, DEI practices, and donor-advised fund regulation

IRS 2025–2026 Priority Guidance Plan — The Definitive Roadmap for Exempt Organization Regulatory Risk

The IRS and Treasury's 2025–2026 Priority Guidance Plan identifies three areas directly affecting nonprofits: deregulation, Section 501(c)(3) issues, and the One Big Beautiful Bill Act. Most critically, it signals forthcoming guidance on racial discrimination policy affecting private school tax-exempt status — with direct sector-wide implications. Potential changes to donor-advised fund and excess-compensation rules add further uncertainty. This is the definitive regulatory roadmap for what is coming. Nonprofits that wait for final guidance forfeit the opportunity for legally privileged adjustments.

Source: [ArentFox Schiff — IRS and Treasury Release 2025–2026 Guidance Plan: What Tax-Exempt Organizations Need to Know \(October 2025\)](#)

● **Form 990 Annual Filing Deadline of May 15, 2026 Approaches for Calendar-Year Nonprofits — Automatic Revocation Follows Three Consecutive Years of Non- Filing**

May 15, 2026 is the Form 990 filing deadline for calendar-year tax-exempt organizations. Under IRC Section 6033(j), failure to file for three consecutive years results in automatic and publicly-published revocation of federal tax-exempt status — jeopardizing donor eligibility and grant qualification. A six-month automatic extension is available by filing Form 8868 on or before May 15, extending the deadline to November 15. Nonprofits with unrelated business income of \$1,000 or more must also file Form 990-T by the same date. Organizations aware of prior missed filings should immediately consult advisors.

Source: [Internal Revenue Service — Return Due Dates for Exempt Organizations \(IRS.gov\)](#)

● **IRS Launches Whistleblower Alert Program Targeting Nonprofit Federal-Fund Fraud — A Fundamental Shift in Internal Risk**

The IRS's first-ever Whistleblower Alert (IR-2026-54), launched April 17, targets federal fund misuse by tax-exempt organizations. Insiders — staff, vendors, former employees — may report violations and receive up to 30% of recovered proceeds, creating direct financial incentive to report suspected fraud. This fundamentally changes the internal risk environment for every federally funded nonprofit. Organizations must immediately review grant-management controls, conflict-of-interest policies, and financial segregation-of-duties. The IRS has clearly identified nonprofits as a priority enforcement target.

Source: [IRS.gov — IR-2026-54: IRS Issues Whistleblower Alert, Expands Efforts to Uncover Fraud \(April 17, 2026\)](#)

● **IRS Preparing Guidance on Tax-Exempt Status and Race-Conscious DEI Programs — Potentially the Most Consequential Regulatory Development in a Generation**

The IRS has announced forthcoming guidance — expected this year — on how racial discrimination public policy and recent Supreme Court caselaw affect 501(c)(3) eligibility. While initially focused on universities, precedents will extend to nonprofits with race-conscious scholarships, hiring, or program eligibility criteria. A determination that DEI practices are incompatible with tax-exempt status would be the most consequential regulatory development in a generation. Organizations must engage legal counsel now to audit race-conscious programs before guidance is released.

Source: [Bloomberg Tax — Colleges Await Looming IRS Guidance on Race and Admissions \(March 2, 2026\)](#)

● **Treasury Department Announces IRS Will Revise Form 990 to Require Greater Transparency on Fiscal Sponsorship, Government Grants, and Contracts**

On April 23, 2026, Treasury announced the IRS will revise Form 990 to require 501(c)(3) organizations to provide more detailed reporting on government contracts, grants, and fiscal sponsorship arrangements. Treasury Secretary Bessent warned directors and officers that transparency in nonprofit funding structures could lead to scrutiny, accountability, and legal liability. Proposed regulations with a public comment period are expected before finalization — giving nonprofits limited time to assess disclosure exposure and prepare governance and documentation practices accordingly.

Source: [U.S. Department of the Treasury — Press Release SB0470 \(April 23, 2026\)](#)

● **OBBBA Expands Section 4960 Excise Tax on Nonprofit Compensation to All Employees Beginning 2026**

Starting in the 2026 tax year, the One Big Beautiful Bill Act expanded the Section 4960 excise tax — originally limited to certain covered executives — to apply to any current or former employee of a tax-exempt organization receiving excess compensation or parachute payments. The 21% excise tax is imposed on the organization itself. Separately, Section 4958 intermediate sanctions on disqualified persons remain in force. Nonprofits should conduct compensation reviews and ensure board processes produce properly documented comparability data to establish a rebuttable presumption of reasonableness.

Source: [Fisher Phillips — Tax-Exempt Organization Compensation Alert \(March 2026\)](#)

● **One Big Beautiful Bill Act Restructures Federal Charitable Deduction Rules Effective 2026: New Non-Itemizer Deduction, 0.5% AGI Floor, and 35% Cap**

The One Big Beautiful Bill Act, effective January 1, 2026, significantly reshaped charitable deductions. Non-itemizers may now deduct up to \$1,000 (\$2,000 for joint filers) for direct cash gifts to qualified charities — but not to donor-advised funds. For itemizers, a new 0.5% AGI floor reduces deductible amounts for smaller gifts, and donors in the top tax bracket are capped at 35 cents per dollar of deduction value. Nonprofits should update donor communications and fundraising strategies to reflect these structural changes.

Source: [DAFgiving360 / Schwab Charitable — Tax Law Changes for Charitable Giving \(2026\)](#)

● **IRS Revenue Procedure 2026-8 Comprehensively Overhauls Group Exemption Rules for First Time Since 1980; Transition Deadline January 22, 2027**

Revenue Procedure 2026-8, effective January 20, 2026, is the IRS's first comprehensive overhaul of group exemption rules in over 45 years, replacing Rev. Proc. 80-27. It ends the six-year moratorium on new group exemption applications and introduces stricter requirements for documenting affiliation, supervision, and oversight of subordinate organizations. Central organizations must hold only one group exemption letter. Existing holders have until January 22, 2027 to bring structures into compliance — or risk termination requiring every subordinate to seek individual exemption.

Source: [Forvis Mazars US — Group Exemption Rules Analysis \(March 2026\)](#)

State Nonprofit News

Executive Summary

State-level regulation is becoming a major source of nonprofit compliance risk. Maryland's privacy law is now fully enforceable against nonprofits, Pennsylvania's annual report grace period ends June 30, Colorado's AI Act takes effect June 30, and Florida nonprofit governance changes are expected July 1. At the same time, multistate crowdfunding investigations, Alaska enforcement actions, Connecticut privacy legislation, Medicaid oversight changes, and Florida foreign-source rules show that state attorneys general and legislatures are increasingly active. Nonprofits must monitor state obligations as closely as federal developments.

⚡ Key Actions for This Section

- Review Maryland MODPA compliance immediately if your organization processes Maryland resident data
- File Pennsylvania annual reports before the June 30 deadline
- Inventory AI systems before Colorado's June 30 effective date
- Review Florida bylaws and governance documents before July 1
- Audit crowdfunding platforms for unauthorized nonprofit fundraising pages
- Assess Connecticut privacy obligations involving donor, health, biometric, and geolocation data
- Monitor North Carolina Medicaid implementation guidance if your organization provides Medicaid-funded services
- Review Florida charitable solicitation compliance involving foreign-source restriction

● Maryland MODPA — Fully Enforceable Against Nonprofits Since April 1, 2026 — Immediate Compliance Required

Maryland's Online Data Privacy Act became fully enforceable April 1, 2026, with no general nonprofit exemption. Nonprofits processing personal data of 35,000 or more Maryland residents must honor consumer access, correction, deletion, and opt-out rights; prohibit sensitive data sales; and conduct data protection assessments. Penalties reach \$10,000 for a first violation and \$25,000 for subsequent violations. Organizations that have not updated privacy practices are currently out of compliance.

Source: [OneTrust — Maryland's Online Data Privacy Act \(MODPA\): Key Rules & Requirements](#)

● Pennsylvania Annual Report — June 30 Is the Final Grace Period Deadline; Missed Filing Triggers Dissolution in 2027

2026 is the final year of Pennsylvania's annual report grace period — missed filings trigger administrative dissolution beginning in 2027. Nonprofits must file by June 30, 2026, at no charge. Dissolution means loss of good standing, inability to execute contracts or receive grants, and loss of the legal right to operate in the Commonwealth. This grace period will not be extended. Nonprofits registered in Pennsylvania — including out-of-state organizations registered to operate there — must file before June 30.

Source: [Pennsylvania Department of State — Annual Reports: Filing Deadlines and Requirements \(2026\)](#)

● Colorado AI Act (SB 205) — June 30 Effective Date Requires Immediate Nonprofit Action on AI Systems

Colorado's AI Act (SB 24-205), effective June 30, 2026, is the nation's first law governing high-risk AI in employment, education, housing, and healthcare decisions. Nonprofits using AI-assisted intake, hiring, or eligibility tools may qualify as 'deployers' required to prevent algorithmic discrimination. The Colorado AG holds exclusive enforcement authority. Organizations must immediately inventory AI systems, identify high-risk applications, and implement a risk management program before June 30. This law signals a national wave of state AI regulation with direct nonprofit implications.

Source: [ALM Corp — Colorado AI Act \(SB 205\): Complete Compliance Guide 2026](#)

● Florida Modernizes Nonprofit Corporation Act — July 1, 2026 Effective Date Requires Immediate Governance Review

Florida Governor Ron DeSantis is expected to sign HB 797, which unanimously passed both chambers and will comprehensively rewrite the Florida Not for Profit Corporation Act effective July 1, 2026. Aligning Florida with the American Bar Association's Model Nonprofit Corporation Act — already adopted in 37 states — the law reshapes governance standards, member rights, fiduciary duties, and restructuring procedures for the state's more than 196,000 domestic nonprofits. Organizations have a narrow window to audit bylaws, governance documents, and merger plans before the effective date. Boards that delay risk non-compliance with new statutory defaults. Legal counsel review is strongly recommended.

Source: [National Law Review — Polsinelli \(March 2026\)](#)⁵

● Multistate AG Coalition and Alaska Lawsuit Expose Sector-Wide Crowdfunding Risk — All Nonprofits Should Audit Platforms Now

A bipartisan coalition of 22 state AGs has demanded GoFundMe prove removal of 1.4 million unauthorized charity fundraising pages. Alaska separately sued GoFundMe, PayPal, Charity Navigator, JustGiving, Pledgeto, and Network for Good, citing false charity affiliation, undisclosed DAF routing, and a default 16.5% "tip" diverted from intended beneficiaries. Unauthorized pages divert donations and damage brand integrity without the organization's knowledge. All nonprofits should immediately audit major crowdfunding platforms for unauthorized use of their name, logo, or mission.

Source: [New York Attorney General — AG James Demands Transparency from GoFundMe on Unauthorized Fundraising Campaigns \(March 3, 2026\)](#)

● Alaska Sues Six Crowdfunding Platforms for Unauthorized Nonprofit Fundraising Pages — Penalties of \$1,000–\$25,000 Per Violation

Alaska Attorney General Stephen Cox filed civil complaints against GoFundMe, PayPal, Charity Navigator, JustGiving, Pledgeto, and Network for Good on March 10–11, 2026, alleging the platforms created more than one million unauthorized donation pages for nonprofits nationwide — including thousands in Alaska — without their knowledge or consent. The suits allege violations of Alaska's Charitable Solicitations Act and Consumer Protection Act, seeking removal of unauthorized pages and civil penalties of \$1,000–\$25,000 per violation. Nonprofits nationwide should audit online fundraising pages and verify only authorized platforms are soliciting in their name.

Source: [Alaska Department of Law — Official Press Release \(March 10, 2026\)](#)

● Connecticut Data Privacy Expansion Clears Senate — Nonprofit Exemptions Narrowed, House Vote Pending

Connecticut's Senate approved SB 4, a wide-ranging consumer data privacy expansion, by a 31-4 vote on April 23, 2026. The bill now moves to the House. It establishes a data broker registry, tightens restrictions on biometric and geolocation data, narrows previously broad exemptions for financial institutions, and expands consumer rights around automated decision-making. Nonprofits that handle consumer health data are already ineligible for Connecticut's nonprofit exemption under existing law — and SB 4 further tightens compliance obligations in that area. Organizations using donor databases, digital fundraising platforms, or health-related programming should assess whether the new thresholds or requirements apply to them.

Source: [Connecticut Business & Industry Association \(April 23, 2026\)](#)

● North Carolina Passes \$319 Million Medicaid Package — New Oversight Provisions Affect Nonprofit Providers

North Carolina's General Assembly gave final approval on April 28, 2026, to House Bill 696, allocating \$319 million to prevent the state's Medicaid program from running out of funds before the end of the fiscal year. The legislation passed in initial votes 112-1 in the House and 48-1 in the Senate and now heads to Governor Josh Stein for signature. The bill includes new oversight provisions — shifting eligibility reviews from quarterly to monthly and adding fraud controls — that may alter Medicaid reimbursement timelines and eligibility rules for the roughly 3 million enrollees served in part by nonprofits. Organizations providing Medicaid-funded services should monitor implementation guidance closely.

Source: [WRAL News \(April 28, 2026\)](#)

● Florida Advances HB 905 Expanding "Foreign Source of Concern" Rules — Rulemaking Still Pending, Compliance Uncertainty Continues

Florida's 2026 legislative session includes HB 905, which would extend the state's existing ban on charitable solicitation from "foreign sources of concern" — enacted under SB 700 (effective July 1, 2025) — to also encompass foreign terrorist organizations. If signed, nonprofits must update attestation statements to certify they neither solicit nor accept support from such entities. Meanwhile, the Florida Department of Agriculture and Consumer Services has not yet finalized rules implementing SB 700's Honest Services Registry, leaving nonprofits to navigate compliance without complete regulatory guidance. Organizations soliciting in Florida face continued uncertainty and should consult legal counsel.

Source: [Florida House of Representatives Staff Analysis — HB 905 \(March 31, 2026\)](#)

Summary

The nonprofit sector is operating in an environment of extraordinary disruption marked by escalating federal oversight, deepening funding instability, expanding DEI-related compliance exposure, and rapidly evolving workforce and governance requirements. DOGE-driven grant terminations, proposed SAM.gov certifications, IRS whistleblower initiatives, DOJ and EEOC enforcement activity, and major state privacy and AI laws collectively signal a fundamental shift away from the historical operating assumptions many nonprofits relied upon for decades. Organizations now face increasing expectations to strengthen governance oversight, diversify revenue streams, modernize compliance systems, reassess workforce and DEI practices, improve internal controls, and develop operational resilience strategies capable of adapting to continuing regulatory uncertainty. Nonprofits that proactively evaluate risk, engage experienced legal and operational advisors, strengthen board oversight, and prepare for sustained disruption will be significantly better positioned to navigate the rapidly changing legal, funding, and operational landscape emerging across the nonprofit sector in 2026 and beyond.

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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