Abstract

Nonprofit leaders face a consequential week as Congress returns with no resolution to the government funding standoff, raising the possibility of an October 1 shutdown while OMB's grantmaking overhaul awaits final action. This August 31, 2026 Navigator News Update tracks federal regulatory developments, employment law changes, IRS and tax-exempt compliance updates, and state-level nonprofit legislation shaping the sector's operating environment. Coverage includes mixed appellate rulings on federal funding freezes, a $289 million CDFI funding dispute, OFCCP's rescission of affirmative-action requirements for federal contractors, new USCIS public-charge guidance, and state actions from California to North Carolina. Nonprofit executives, compliance officers, and boards will find actionable priorities for managing federal grant risk, workforce compliance, and state regulatory change during an unpredictable regulatory environment for tax-exempt organizations nationwide.

August 31, 2026 Navigator News Update: Including a Looming Government Shutdown, OMB's Grantmaking Overhaul, and More!

From Nonprofit Management Navigator, a DBA of PMG46, LLC

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Introduction

Nonprofit leaders return from summer recess to an unsettled federal landscape. Congress must reconcile competing continuing resolutions before an October 1 funding deadline, while the future of OMB's contested overhaul of federal grantmaking rules remains uncertain.This week's Navigator tracks litigation over funding freezes, DEI-related grant conditions, and homelessness assistance, alongside a lawsuit over $289 million in withheld CDFI awards. On the employment front, OFCCP and the EEOC have rolled back longstanding affirmative-action frameworks, and new USCIS and DOL guidance affects immigrant-serving and hybrid-workforce nonprofits alike. IRS developments include bipartisan legislation to clarify tax-exempt status and appeal rights, a looming FIRE system shutdown, and guidance on the paid-leave tax credit. State developments span California's new charity filing system, Medicaid work-reporting rollouts, and nonprofit governance changes in North Carolina and beyond. Each summary below is tagged with a priority indicator so leaders can quickly identify which developments demand immediate attention versus ongoing monitoring. As always, this update distills public reporting into actionable intelligence for the week ahead.

Priority Legend

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

🔴 Immediate Action 🟡 Requires Organizational Response 🟢 Monitor and Prepare

Nonprofit News and Federal Regulatory Developments

📋 **Executive Summary**: Congress returns from August recess facing an unresolved funding standoff, with real risk of an October 1 shutdown as OMB's grantmaking overhaul remains pending. Courts issued mixed rulings on funding-freeze litigation, vacated DEI-related grant conditions at HHS and HUD, and struck down HUD's FY 2026 Continuum of Care notice. Regulators propose narrowing CRA funding, HHS proposes deregulating Head Start, and nonprofits sued over grant terms and $289 million in withheld CDFI awards.

⚡ **Key Actions for This Section**: Organizations should take the following steps to manage federal funding risk and stay ahead of regulatory change:

- Monitor congressional funding negotiations and prepare for a possible October 1 shutdown
- Review federal grant agreements for compliance with new or contested OMB conditions
- Track the outcome of funding-freeze litigation affecting your federal awards
- Submit comments on the CRA rollback proposal by October 13 if affected
- Watch for a revised HUD Continuum of Care funding notice before applying
- Diversify revenue sources given the reported decline in federal grants to charities

🔴 **Congress Returns to Unresolved Government Funding Standoff**

Lawmakers returned from August recess with the House and Senate still working from two competing continuing resolutions: the House's "clean" bill funding government through Dec. 4, and the Senate's 90-6 measure running through Dec. 11 that also delays OMB's contested grantmaking overhaul. Nonprofits face a real risk of an Oct. 1 shutdown unless the chambers reconcile the bills, leaving the OMB rule's fate unresolved.(Last Updated 6pm August 28)

Source: FABBS —
https://fabbs.org/news/2026/08/continuing-resolutions-advance-in-both-senate-and-house/

🔴 **OMB's Grantmaking Overhaul Remains Blocked, Not Withdrawn**

OMB's proposed rewrite of the Uniform Guidance — which would let agencies terminate grants based on shifting political priorities — drew nearly 500,000 public comments before its July comment period closed. The rule is currently blocked only by the Senate's not-yet-enacted funding bill. Nonprofits should not assume the threat has passed, since a final rule could still emerge once funding legislation is resolved. (Last Updated 6pm August 28)

Source: Human Service Chamber of Franklin County —
https://www.humanservicechamber.org/what-nonprofits-need-to-know-about-omb-uniform-guidance/

🟡 **Appeals Courts Issue Mixed Rulings on Federal Funding-Freeze Litigation**

The First Circuit on Aug. 7 upheld an injunction blocking a freeze on congressionally approved infrastructure, environmental, and public-health funds, while the D.C. Circuit on Aug. 21 vacated a separate National Council of Nonprofits injunction as moot. A third injunction against a broader federal funding freeze, brought by state attorneys general, remains in effect. The mixed rulings leave federal grantees navigating an unsettled and shifting legal landscape around funding freezes.

Source: National Council of Nonprofits, Aug. 10, 2026 — https://www.councilofnonprofits.org/woonasquatucket-et-al-v-department-agriculture | *National Council of Nonprofits, Aug. 24, 2026 —* https://www.councilofnonprofits.org/nonprofit-champion-august-24-2026

🟡 **Bank Regulators Propose Rolling Back CRA Rules That Fund Nonprofits**

The OCC and FDIC's proposed Community Reinvestment Act overhaul would raise bank size thresholds for full CRA scrutiny and narrow qualifying activities, excluding certain grants to nonprofit community-development programs. Advocates warn this could mean less bank funding for affordable housing and community groups, especially in rural areas. Comments are due Oct. 13.

Source: National Community Reinvestment Coalition — https://ncrc.org/2026-cra-rollbacks/

🟢 **Federal Court Vacates DEI-Related Conditions on HHS, HUD Grants**

A Rhode Island federal judge vacated new HHS and HUD grant conditions requiring nonprofits serving homeless individuals and abuse survivors to certify compliance with anti-DEI and "gender ideology" executive orders, finding the agencies acted arbitrarily and ignored grantees' reliance interests. The ruling applies nationwide, though an appeal remains possible, offering only temporary relief.(Last Updated 6pm August 28)

Source: Ogletree Deakins — https://ogletree.com/insights-resources/blog-posts/federal-court-vacates-dei-conditions-compliance-certification-connected-to-hhs-hud-grants/

🟡 **Federal Court Vacates HUD's FY 2026 Continuum of Care Funding Notice**

A federal court ordered HUD on Aug. 7 to vacate its FY 2026 Continuum of Care Notice of Funding Opportunity, affecting more than $4 billion in federal homelessness assistance. The ruling is separate from the previously reported HHS/HUD grant-condition case, instead striking at the structure and availability of FY 2026 homelessness funding itself. Nonprofit homeless-services providers should watch for a revised or reissued notice before applying for FY 2026 Continuum of Care awards.(Last updated 6pm August 28)

Source: National Alliance to End Homelessness, Aug. 7, 2026 — https://endhomelessness.org/media/news-releases/court-sides-with-coalition-challenging-latest-efforts-to-politicize-homelessness-funding-grants/

🟡 **HHS Proposal to Deregulate Head Start Remains Open for Comment**

HHS's proposal would eliminate classroom-ratio and group-size limits, cap administrative overhead, and shift more authority to states and parents, arguing this could free funds to serve up to 268,000 more children. Critics warn the changes could weaken safety and quality standards built over decades. Comments are due Oct. 6, affecting 1,600 Head Start grantees nationwide.

Source: NPR — https://www.npr.org/2026/08/06/nx-s1-5920386/head-start-regulations-trump

🟡 **Nonprofits Sue USDA Over Grant Terms Restricting Food-Access Work**

Five nonprofits sued USDA, arguing new grant terms and conditions — barring "unlawful DEI" and "gender ideology" activity and limiting immigrant-focused programming — are unconstitutionally vague and exceed the agency's authority. Plaintiffs seek a preliminary injunction. The case adds to a growing set of challenges over how far agencies can go in attaching new conditions to awarded funds.

Source: Earthjustice — https://earthjustice.org/press/2026/nonprofits-sue-to-block-new-usda-rules-that-force-them-to-change-or-abandon-food-access-work

🔴 **Nonprofits Sue Over $289 Million in Withheld CDFI Fund Awards**

Two nonprofit organizations sued Treasury and the Office of Management and Budget over $289 million in FY 2025 Community Development Financial Institutions Fund awards that plaintiffs say will expire if not released by Sept. 30. The lawsuit highlights a looming fiscal-year deadline with direct consequences for nonprofit CDFIs and community-development organizations awaiting appropriated funding. The outcome could determine whether the funds reach intended recipients before the fiscal year closes, adding urgency for affected organizations.(Last updated 6pm August 28)

Source: ABA Banking Journal, Aug. 19, 2026 — https://bankingjournal.aba.com/2026/08/california-nonprofits-sue-to-release-cdfi-fund-appropriations/ | *Democracy Forward, Aug. 14, 2026* — https://democracyforward.org/news/press-releases/organizations-sue-to-protect-crucial-bipartisan-small-business-lending-program/

🟡 **Report: Federal Grants to Everyday Charities Fell Sharply in 2025**

An analysis by Granted AI found federal grants to non-hospital, non-university charities fell roughly 38–41% in the eight months after the change in administration, compared with the same period a year earlier. The decline quantifies fiscal strain reported across the sector amid funding freezes and grant terminations, and underscores the need for diversified revenue strategies.

Source: The Chronicle of Philanthropy — https://www.philanthropy.com/news/federal-grants-to-everyday-charities-fell-38-in-trumps-first-months/

Nonprofit Human Resources Developments

📋 **Executive Summary**: OFCCP finalized rules rescinding affirmative-action-plan requirements for federal contractors, and the EEOC rescinded its longstanding Title VII affirmative-action guidelines while proposing to eliminate EEO-1 demographic reporting. New USCIS public-charge guidance and a lawsuit over DHS's new cap on international-student status affect immigrant-serving nonprofits and universities. DOL is finalizing a revised independent-contractor test, issued new guidance on compensable travel time for hybrid and field staff, and proposed an electronic-delivery safe harbor for group health plan disclosures.

⚡ **Key Actions for This Section**: Nonprofit employers should take these steps to stay compliant with rapidly shifting workforce rules:

- Review and retire outdated affirmative-action plan components tied to rescinded federal requirements
- Update internal diversity and inclusion policies to reflect the EEOC's rescinded guidance
- Prepare immigrant-serving programs for more searching USCIS public-charge reviews
- Review timekeeping practices for hybrid, field-based, and home-based staff
- Track DOL's independent-contractor rule for potential worker-classification changes

🟡 OFCCP Finalizes Rescission of Affirmative Action Rules for Federal Contractors

OFCCP published three final rules Aug. 21 eliminating written affirmative-action-plan requirements based on race and sex tied to the rescinded Executive Order 11246, narrowing Section 503 disability requirements, and updating VEVRAA veteran-hiring thresholds. Changes take effect between Sept. 21 and Dec. 21, 2026. Nonprofits with federal contracts should review and retire outdated affirmative-action program components.

Source: Ogletree Deakins —
https://ogletree.com/insights-resources/blog-posts/ofccp-issues-final-rules-upending-federal-contractors-affirmative-action-obligations/

🟢 EEOC Rescinds Longstanding Title VII Affirmative-Action Guidelines

The EEOC voted June 29 to rescind its 1979 affirmative-action interpretive guidelines and the related Compliance Manual section, announcing the action June 30. Unlike the OFCCP's contractor-specific rescissions already reported, this change applies broadly to employers covered by Title VII generally, not just federal contractors. Nonprofit employers of all kinds should review internal affirmative-action policies and any guidance documents that referenced the rescinded framework, particularly around voluntary diversity and inclusion initiatives.

Source: U.S. Equal Employment Opportunity Commission, June 30, 2026 —
https://www.eeoc.gov/newsroom/eeoc-votes-rescind-affirmative-action-interpretive-guidelines-and-related-compliance

🟢 EEOC Advances Proposal to Eliminate EEO-1 Demographic Reporting

The EEOC's proposed rule would rescind EEO-1 and related demographic reporting for employers with 100 or more employees and covered federal contractors, citing constitutional concerns and roughly $275 million in annual compliance costs. The rule is not yet final; larger nonprofit employers should continue current filing practices while watching for a final rule.

Source: Jackson Lewis —
https://www.jacksonlewis.com/insights/goodbye-eeo-1-reports-eeoc-proposes-rolling-back-certain-workforce-data-requirements-employer-obligations-remain

🟡 USCIS Broadens Public Charge Factors, Affecting Immigrant-Serving Nonprofits

New USCIS guidance effective Sept. 18 lets officers weigh a broader range of public benefits — including housing, food, and education assistance — when deciding whether green-card applicants are likely to become a "public charge," and scrutinizes sponsors' finances more closely. Nonprofits sponsoring foreign staff or serving immigrant communities should prepare clients for more searching reviews.

Source: LeadingAge —
https://leadingage.org/new-uscis-guidance-broadens-factors-considered-in-public-charge-reviews/

🟡 **Coalition Sues to Block DHS Rule Ending "Duration of Status" for Students**

A coalition including NAFSA and the Presidents' Alliance sued DHS over its rule replacing open-ended "duration of status" with a four-year admission cap for international students and exchange visitors, set to take effect Sept. 15. Plaintiffs argue DHS inadequately assessed costs and public comments. The outcome affects nonprofit universities and organizations hosting international scholars and staff.

Source: NAFSA —
https://www.nafsa.org/press-release-lawsuit-challenging-rule-ending-duration-status

🟡 **DOL's Independent Contractor Rule Nears Final Stages of Review**

DOL's proposal to rescind the 2024 independent-contractor test and revive a modified 2021 standard — prioritizing a worker's control and profit/loss opportunity — closed its comment period this spring and is moving toward finalization, applying uniformly across the FLSA, FMLA, and migrant-worker protections. Nonprofits relying on contract or gig workers should prepare for a shift in classification standards.

Source: Holland & Knight —
https://www.hklaw.com/en/insights/publications/2026/03/dol-proposes-to-rescind-biden-era-independent-contractor-rule

🟡 **DOL Issues New FLSA Guidance on Remote-Work and Commuter Travel Time**

Two July 22 Wage and Hour Division opinion letters clarify when mid-day home-to-office travel and home-to-first-client travel time is compensable under the Fair Labor Standards Act. The guidance directly affects nonprofits that use hybrid work schedules, field-based employees, home-based staff, or mobile service-delivery models. Employers should review current timekeeping and compensation practices against the new letters to ensure compliance with the clarified standards, especially for staff who split time between home and multiple work locations in a single day.

Source: U.S. Department of Labor, July 22, 2026 —
https://www.dol.gov/newsroom/releases/whd/whd20260722

🟢 **DOL Proposes Electronic-Delivery Safe Harbor for Group Health Plan Disclosures**

The Department of Labor proposed a new safe harbor letting ERISA-covered group health plans deliver required disclosures electronically under specified conditions, while preserving employees' option to receive paper copies. If finalized, the rule could materially change how nonprofit employers sponsoring ERISA health plans administer required notices, potentially reducing printing and mailing costs while still guaranteeing beneficiaries a path to physical documents. Nonprofits should watch for a final rule before adjusting current disclosure delivery methods.

Source: U.S. Department of Labor, July 22, 2026 —
https://www.dol.gov/newsroom/releases/ebsa/ebsa20260722

IRS, Accounting and Finance Developments

📋 **Executive Summary**: Bipartisan bills would clarify that tax-exempt status alone does not trigger federal financial-assistance rules and would guarantee nonprofits' right to appeal IRS exemption denials. An IRS proposal on racial-equity work by schools awaits release, and the administration is weighing a new Form 990 disclosure of leaders' criminal convictions. The Johnson Amendment remains formally in force after a court dismissed a settlement, the IRS will retire its FIRE e-filing system in 2026, and new guidance clarifies the paid-leave tax credit.

⚡ **Key Actions for This Section**: Nonprofits should take these steps to manage IRS compliance and finance-related developments:

- Track the Safeguarding America's Nonprofits Act and Taxpayer Assistance and Service Act
- Watch for the IRS's forthcoming racial-equity proposal affecting schools and other exempt organizations
- Register for IRIS access before the FIRE system's November 19 shutdown
- Review Notice 2026-28 before claiming the expanded paid-leave tax credit
- Build grant-seeking strategy around organizational readiness before searching for funders

🟢 **Bipartisan Bill Would Clarify Tax-Exempt Status**

Reps. Greg Steube (R-Fla.) and Suzan DelBene (D-Wash.) introduced the Safeguarding America's Nonprofits Act, which would add a provision to the tax code stating plainly that having federal tax-exempt status does not, by itself, count as receiving "federal financial assistance." The distinction matters because many civil-rights and other federal regulations apply only to organizations that actually receive federal funding, such as grants or contracts — and several recent, conflicting court rulings have raised the possibility that tax-exempt status alone could be enough to trigger those same obligations. By writing this clarification into law, the bipartisan bill would close off that interpretation, protecting charities, religious institutions, and other tax-exempt organizations from being pulled into funding-recipient regulations simply because the IRS recognizes them as tax-exempt.

Source: Rep. Greg Steube —
https://steube.house.gov/press-releases/rep-steube-introduces-bipartisan-bill-to-protect-nonprofits-tax-exempt-status/

🟡 **IRS Proposal on Racial-Equity Work by Schools Nears Public Release**

OMB completed review of an unreleased IRS proposal addressing the "fundamental public policy" doctrine against racial discrimination in schools, part of Treasury's priority guidance plan. Practitioners say a key open question is whether the rule stays narrowly focused on private-school admissions or extends to other 501(c)(3) activity addressing racial equity, with major compliance implications either way.

Source: Nonprofit Law Blog (Darryll Jones) —
https://darryllkjones.substack.com/p/the-fundamental-public-policy-regulations

🟢 **Bipartisan Senate Bill Would Guarantee Nonprofits' Right to Appeal IRS Rulings**
The Senate Finance Committee advanced the Taxpayer Assistance and Service Act 26-1 in late July, including a bipartisan provision codifying nonprofits' right to appeal IRS denials or revocations of tax-exempt status through IRS Appeals. The broader bill also speeds refund-claim decisions and updates e-filing thresholds. It now awaits a Senate floor vote, adding a due-process safeguard nonprofits currently lack.
Source: Accounting Today —
https://www.accountingtoday.com/news/senate-committee-passes-taxpayer-assistance-and-service-act

🟢 **IRS Weighs New Form 990 Disclosure of Leaders' Criminal Convictions**
The administration is considering a Form 990 requirement that nonprofits disclose whether top officials have certain financial-crime or terrorism-related convictions within the past decade, without naming which individual was convicted. Nothing is finalized. If adopted, the change would add governance and due-diligence obligations for nonprofit boards screening leadership and reporting compliance.
Source: CBS News — https://www.cbsnews.com/news/irs-proposal-nonprofits-fraud-terrorism/

🟢 **Johnson Amendment Enforcement Remains Unsettled After Case Dismissal**
A federal judge in Texas dismissed a case in which the IRS had agreed not to enforce the Johnson Amendment against two churches' political endorsements, finding the court lacked jurisdiction to approve the settlement. The Johnson Amendment thus remains formally in force for the 2026 election cycle, even though the IRS has signaled reluctance to enforce it against pulpit speech.
Source: Congressional Research Service, Congress.gov —
https://www.congress.gov/crs-product/LSB11447

🟡 **IRS Sets 2026 FIRE System Shutdown, 2027 Move to IRIS**
The IRS announced Aug. 24 that its legacy FIRE e-filing system will stop accepting information returns after Nov. 19, 2026, requiring filers to migrate fully to the IRIS platform for tax-year 2026 Forms 1099 and other information returns filed in 2027. Nonprofits that file information returns should register for IRIS access well before year-end to avoid disruption.
Source: IRS, IR-2026-99 —
https://www.irs.gov/newsroom/irs-reminder-information-return-e-file-system-transitioning-to-a-new-platform

🟡 **IRS Issues Guidance on Expanded Paid Family and Medical Leave Tax Credit**
Treasury and the IRS released Notice 2026-28, explaining a new premium-based method employers can use to calculate the now-permanent Section 45S paid-leave tax credit, alongside the existing wage-based method. Comments on the guidance are due Oct. 16. Nonprofits offering paid-leave benefits should review the notice before claiming the enhanced 2026 credit.

Source: Journal of Accountancy — https://www.journalofaccountancy.com/news/2026/aug/irs-guidance-addresses-expanded-paid-family-and-medical-leave-credit/

🟢 **Readiness Before Applications: The Real First Step in Grant Strategy**
Great grant-seeking begins before the search. Nail down your need, outcomes, budget, and sustainability plan first—then find funders whose priorities truly align. The right grant isn't the biggest or the soonest due; it's the one that moves work you already believe in forward. Strategy up front saves hours and sharpens every proposal
Source: Katie LeDoux, Founder & CEO, Sunflower Grant Writers

State Nonprofit News Developments

📋 **Executive Summary**: California launched a new online charity filing system and extended address-confidentiality protections to immigration nonprofit workers, while Pennsylvania and Maine began outreach on 2027 Medicaid work-reporting changes. Washington, D.C. raised its indirect-cost reimbursement floor to 15%, and North Carolina eased nonprofit merger and donor-disclosure rules. Rhode Island's high court narrowed a property-tax exemption, Minnesota now requires advance notice before nursing-home ownership transfers, and Dover, Delaware considers a new fee on large tax-exempt properties.

⚡ **Key Actions for This Section**: Nonprofits should take these steps to respond to state-level regulatory and funding changes:

- California charities should retain their registration code to access the new filing system
- Prepare clients for more frequent Medicaid eligibility and work-reporting reviews
- D.C. nonprofits should confirm updated indirect-cost rates on new and renewed awards
- Nonprofit nursing homes in Minnesota should build in 120 days' notice before any ownership transfer
- Watch Dover, Delaware's proposed fee on large tax-exempt properties for precedent-setting risk

🟡 **California Launches New Online Charity Filing System**
California's Registry of Charities and Fundraisers released its new Online Filing Service in late August, letting all registrants submit filings and payments electronically for the first time. The prior online renewal system is now retired. California-registered charities should retain the registration code mailed by the Registry to access the new system and avoid renewal delays.

Source: California Attorney General — https://oag.ca.gov/charities/

🟡 **States Begin Operational Rollout of 2027 Medicaid Eligibility and Work-Reporting Changes**
State implementation of 2027 Medicaid eligibility and work-reporting requirements is moving from planning into direct outreach: Pennsylvania says initial recipient mailings begin the last week of August, and Maine held an Aug. 24 partner briefing while issuing implementation resources. Nonprofit health and human-service providers helping clients maintain coverage should expect more frequent eligibility reviews and prepare to assist clients navigating new

documentation and reporting requirements as more states move toward full rollout in coming months.

Source: Pennsylvania DHS Medicaid Communications Toolkit, current Aug. 2026 — https://www.pa.gov/agencies/dhs/resources/medicaid/medicaid-toolkit | *Maine DHHS Provider Bulletin, Aug. 21, 2026 —* https://www1.maine.gov/dhhs/oms/providers/provider-bulletins/2027-mainecare-eligibility-changes-information-resources-and-partner-briefing-2026-08-21

🟢 **California Extends Address-Confidentiality Protections to Immigration Nonprofit Workers**

Gov. Gavin Newsom signed AB 2624 on Aug. 22, expanding California's Safe at Home address-confidentiality program to qualifying providers of immigration support services. The law lets eligible immigration nonprofit workers shield their home addresses from public records, addressing safety and privacy concerns specific to the sector. California-based immigration-services nonprofits should review eligibility criteria and consider enrolling staff who may face heightened exposure or threats given the current political climate surrounding immigration enforcement.

Source: Office of Governor Gavin Newsom, Aug. 22, 2026 — https://www.gov.ca.gov/2026/08/22/governor-newsom-signs-legislation-8-22-2026/ | *San Francisco Chronicle, Aug. 23, 2026 —* https://www.sfchronicle.com/california/article/newsom-signs-2624-22399605.php

🟢 **D.C.'s Nonprofit Services Preservation Act Raises Indirect Cost Floor**

Washington, D.C.'s new law requires District grants and contracts with nonprofits to compensate for indirect costs at a minimum 15% de minimis rate, up from 10%, matching the federal standard, and creates a nonprofit relief grant program. D.C.-based nonprofits contracting with the District should see improved cost recovery on new and renewed awards.

Source: Councilmember Brianne K. Nadeau — https://brianneknadeau.com/nonprofit-fairness/

🟢 **North Carolina Enacts Nonprofit Corporations Act Overhaul**

North Carolina's House Bill 517, signed July 7, updates the state's Nonprofit Corporations Act to ease mergers with LLCs and unincorporated entities, and allows a charity's state donor-disclosure obligation to be satisfied by the federal tax-deduction acknowledgment already required. The change reduces duplicate paperwork for North Carolina charities restructuring or documenting donations.

Source: NC Political News — https://www.ncpoliticalnews.com/news/nonprofit-corporation-and-charitable-organization-bill-becomes-law

🟢 **IRS Lists 30 States as Making Advance Elections for the 2027 Federal Scholarship Tax Credit**

The IRS lists 30 states, as of July 24, as having made advance elections to participate in the new 2027 Federal Scholarship Tax Credit program. Participating states must submit lists of qualifying scholarship-granting organizations to the IRS, creating a new compliance step and a potential fundraising opportunity for eligible education-focused nonprofits. Organizations in participating states should confirm their eligibility and reporting requirements well ahead of the 2027 program's official launch.

Source: IRS Federal Scholarship Tax Credit page, participating states as of July 24, 2026 — https://www.irs.gov/government-entities/federal-state-local-governments/federal-scholarship-tax-credit-fstc

🟡 **Rhode Island Supreme Court Narrows Nonprofit Property-Tax Exemption**

The Rhode Island Supreme Court ruled a nonprofit healthcare organization's Warwick administrative site did not qualify for a tax exemption written for property "located in Providence," rejecting the argument that the exemption followed the organization rather than the property's location. The decision signals courts will construe nonprofit property-tax exemption statutes narrowly against taxpayers.

Source: Bloomberg Tax — https://news.bloombergtax.com/daily-tax-report-state/rhode-island-supreme-court-denies-tax-exemption-for-nonprofits-warwick-property

🟡 **Minnesota Strengthens Oversight of Nonprofit Nursing Home Ownership Transfers**

Minnesota now requires nonprofit nursing homes and assisted-living facilities to give the state 120 days' written notice before transferring ownership or control to a for-profit entity, disclosing all individuals with a financial interest, backed by civil penalties for violations. Nonprofit senior-care operators need lead time and disclosure compliance before any sale or restructuring.

Source: Minnesota Office of the Revisor of Statutes — https://www.revisor.mn.gov/statutes/cite/145D.41/pdf

🟢 **States Move to Speed Inherited IRA Payouts to Charities**

Indiana, Iowa, Tennessee, and Nebraska have each enacted "RIFT" laws designed to require more timely release of inherited IRA assets to nonprofit beneficiaries and curb excessive documentation demands by financial institutions, with similar bills pending in other states. Nonprofits expecting bequest gifts from retirement accounts should see fewer administrative delays in affected states.

Source: Charitable Gift Planners — https://charitablegiftplanners.org/block/rift-state-rift-laws

🟡 **Dover, Delaware Considers Fee on Large Nonprofit Properties**

Two Dover city councilmen proposed a $1-per-square-foot annual fee on tax-exempt properties larger than 50,000 square feet, including university and hospital campuses, to help fund public-safety costs; the proposal's legality is contested and affected nonprofits are pushing back. The idea could set a precedent for municipalities seeking new revenue from large tax-exempt institutions.

Source: Spotlight Delaware — https://spotlightdelaware.org/2026/07/13/dover-leaders-propose-fee-on-tax-exempt-properties-legality-unclear/

Summary

This week's Navigator finds nonprofits navigating an unsettled federal landscape as Congress returns without a funding deal, risking an October 1 shutdown, while OMB's blocked grantmaking overhaul, mixed funding-freeze rulings, and a $289 million CDFI dispute keep federal grant risk elevated. HHS and HUD grant conditions were vacated in nonprofits' favor, even as bank regulators propose narrowing CRA community-development funding and USDA faces suit over restrictive grant terms. On the workforce front, OFCCP and the EEOC have dismantled longstanding affirmative-action frameworks, USCIS has broadened public-charge scrutiny, and DOL is finalizing a new independent-contractor test alongside fresh wage-and-hour and health-plan guidance. IRS developments include bipartisan bills protecting tax-exempt status and appeal rights, a pending racial-equity proposal, a 2026 shutdown of the legacy FIRE filing system, and expanded paid-leave credit guidance. States continue to act independently: California modernized charity filing and worker protections, D.C. raised indirect-cost reimbursement, North Carolina streamlined nonprofit governance, and several states advanced Medicaid, scholarship-credit, and property-tax measures affecting the sector. Together, these developments underscore the need for vigilant compliance monitoring and diversified funding strategies.

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