

Abstract

The October 12, 2026 Navigator News Update covers federal grant restrictions, nonprofit employment developments, IRS guidance priorities, accounting proposals and state funding changes. The OMB grants overhaul remains blocked until December 11, while proposed bank Community Reinvestment Act changes carry an October 13 comment deadline. Other summaries address grant litigation, Head Start proposals, employee volunteering, workplace accommodations, Public Service Loan Forgiveness appeals and H-1B fees. Tax and finance coverage includes group exemption reporting, private school nondiscrimination proposals, scholarship tax credit rules and delayed single audits. State developments include Connecticut workplace requirements, California tax exemptions and newsroom credits, Medicaid administration and November tax ballot measures.

October 12, 2026 Navigator News Update: Including Agencies Follow OMB Lead, IRS Priority Guidance Plan, Proposed Bank Grant Restrictions and More!

From Nonprofit Management Navigator, a DBA of PMG46, LLC

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Introduction

Nonprofit leaders face developments affecting grants, employment practices, tax compliance and state support. This week's summaries describe the continuing freeze on OMB's proposed grants overhaul, litigation over federal funding cancellations and an October 13 comment deadline for proposed bank grant restrictions. They also cover employment opinion letters, accommodation enforcement, retirement plan litigation and continued uncertainty over PSLF employer eligibility.

The IRS, accounting and finance section addresses proposed guidance, new group exemption reporting, scholarship tax credit rules and single audit delays. State coverage includes workplace laws already effective in Connecticut, California exemption and newsroom provisions, benefit administration changes and tax measures on November ballots. The priorities below reflect the deadlines and operational effects described in the supplied summaries. Proposed rules, legislative measures and pending court cases remain identified as such; their outcomes are not assumed.

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

Federal grant uncertainty continues as the OMB overhaul remains blocked until December 11 and agencies pursue similar proposals. Litigation challenges expired appropriations and housing counseling cancellations, while Head Start proposals await review after comments closed. Proposed bank grant restrictions have an October 13 comment deadline. Other developments involve tax exemption legislation, congressional scrutiny, restored Title IX regulations, NIH grant oversight and Medicaid work requirements. Several measures remain proposals or pending cases, with outcomes unresolved in the summaries supplied this week.

Key Actions for This Section

- Continue operating under current grant rules and award terms while the OMB overhaul remains blocked until December 11.
- Track the Education Department and National Science Foundation proposals; whether the OMB freeze reaches those rules remains unsettled.
- Note the October 13 comment deadline for proposed CRA changes affecting bank community development grants.
- Track the housing counseling funding litigation and the parties' October 19 filing deadline.
- Keep published grievance procedures for student and employee complaints in federally funded education programs.
- Monitor the Medicaid work-requirement lawsuit and the January 1, 2027 start of coverage compliance requirements described in the summary.

● Grants Overhaul Stays Frozen as Agencies Pursue Similar Rules

OMB's October 1 target for its grants overhaul has passed with the rule blocked until December 11. OMB may still review comments and prepare a final rule, and Director Russell Vought reportedly now eyes January 1. The Education Department and National Science Foundation have proposed their own rules that track OMB's plan, and whether the freeze reaches them is unsettled.

Nonprofits remain under current rules and award terms, but agencies can still terminate grants, and flat stopgap funding may delay awards and payments. Advocates want Congress to block the rule permanently.

Source: BDO (Sept. 4, 2026) —

<https://www.bdo.com/insights/industries/nonprofit-education/what-the-continuing-resolution-means-for-ombs-proposed-uniform-guidance-rewrite>

Source: AIP FYI (Sept. 2, 2026) —

<https://www.aip.org/fyi/congress-delays-omb-grantmaking-rule-with-stopgap-funding-bill>

Source: FABBS (Oct. 1, 2026) —

<https://fabbs.org/news/2026/10/white-house-not-moving-forward-with-new-nih-grantmaking-board-for-now/>

● **GAO Calls \$810 Million Pocket Rescission Illegal as Lawsuits Mount**

On September 25 the White House sent Congress 11 rescissions totaling \$810 million, timed so funds expire September 30 before Congress can act, a maneuver known as a pocket rescission. Targets include Education's international and foreign-language programs (\$69.6 million), AHRQ research (\$27.7 million) and migrant-student grants (\$24.9 million), plus refugee assistance.

The Government Accountability Office concluded September 29 that the maneuver violates the Impoundment Control Act. On September 30, California and six other states sued in federal court in Northern California, and the HEP-CAMP Association sued in Washington over \$24.9 million in migrant-student education grants.

Expired fiscal 2026 money cannot fund new grants after September 30, so nonprofits counting on these awards may lose them.

Source: American Action Forum —

<https://www.americanactionforum.org/insight/the-810-million-pocket-rescissions-request-what-it-would-cut-and-why-its-timing-matters/>

Source: House Budget Committee Democrats (Sept. 29, 2026) —

<https://democrats-budget.house.gov/news/press-releases/boyle-statement-after-nonpartisan-gao-confirms-trumps-pocket-rescission-illegal>

Source: The Spokesman-Review (Oct. 2, 2026) —

<https://www.spokesman.com/stories/2026/oct/02/court-challenges-mount-over-trumps-funding-clawbac/>

● **Senate Passes Appeal Rights for Tax-Exemption Denials**

The Senate passed the Taxpayer Assistance and Service Act (S. 5441) on September 30. The bill expressly gives organizations the right to appeal IRS decisions denying or revoking tax-exempt status to the Independent Office of Appeals, and requires the IRS to notify them of that right.

The bipartisan bill now moves to the House for consideration. If enacted, it would write into law a procedural safeguard as scrutiny of exempt organizations intensifies.

Source: LeadingAge — <https://leadingage.org/?p=1173560>

● Judge Preserves HUD Counseling Funds as Housing Nonprofits Sue

The National Urban League and housing groups from several states sued September 29 to stop cancellation of \$56.1 million of the \$57.5 million Congress provided for HUD's Comprehensive Housing Counseling program, a cut of nearly 98%. The program funds nonprofits that help families with foreclosure prevention, renting, budgeting and homebuying.

Plaintiffs want the cuts declared unlawful; HUD says the rescission aligns the funds with the President's policy agenda. On September 30, U.S. District Judge Jia Cobb temporarily blocked the cancellations and suspended the September 30 deadline that would have returned the money to the Treasury, keeping it available if plaintiffs prevail. Both sides' filings are due October 19.

Source: Planetizen —

<https://www.planetizen.com/news/2026/10/138544-trump-wants-cancel-nearly-98-funding-hud-housing-support-program>

Source: Reuters via AOL (Oct. 1, 2026) —

<https://www.aol.com/articles/us-judge-blocks-housing-grant-162828000.html>

● Court Strikes Education Department's Anti-DEI Grant Terminations

On September 17 eight states won summary judgment against the Education Department's February 2025 directive mandating termination of grants involving DEI-related programming, money slated for universities, school districts and nonprofits. The court found the department never defined DEI, a gap that echoes broader federal policy.

The department could appeal. Meanwhile, OMB's pending grants rewrite would expressly allow discretionary terminations based on agency priorities, though Section 157 delays it until December 11.

Source: Ogletree Deakins — <https://ogletree.com/?p=92897>

● Head Start Overhaul Would Slash Allowable Administrative Costs

HHS proposed rescinding and replacing the Head Start Program Performance Standards, shifting more responsibility to states and cutting allowable development and administrative costs from 15% to 5% of total program costs. Comments closed October 6; HHS now reviews them before any final rule. Opponents warn the change could weaken child protections and raise child-to-teacher ratios.

More than 1,600 providers serve about 700,000 children; nonprofit grantees would face major budget restructuring if finalized.

Source: Thompson Grants —

<https://www.thompsongrants.com/editorial-commentary/sneak-preview-major-revisions-to-head-start-standards-proposed>

● Bank Regulators' CRA Plan Could Shrink Grants to Nonprofits

The OCC and FDIC proposed Community Reinvestment Act changes that would narrow when bank community development grants earn CRA credit and make grant qualification more prescriptive. The OCC itself acknowledges the plan could shift bank activity toward lending and away from certain community development activities, particularly grants. Comments are due October 13, and the Federal Reserve has not joined.

Nonprofits relying on CRA-motivated bank grants could see that funding stream contract.

Source: Arnold & Porter —

<https://www.arnoldporter.com/en/perspectives/advisories/2026/08/the-occs-and-fdics-proposed-amendments-to-the-community-reinvestment-act>

● Bipartisan Bill: Tax Exemption Is Not Federal Financial Assistance

Reps. Greg Steube (R-Fla.) and Suzan DelBene (D-Wash.) introduced the Safeguarding America's Nonprofits Act (H.R. 10148), which would amend the Internal Revenue Code to state explicitly that federal tax-exempt status does not constitute federal financial assistance.

Sponsors say the bill would shield organizations that accept no federal dollars from litigation risk and regulatory burdens tied to federal funding. It was referred to the Ways and Means Committee, where it awaits action.

Source: Office of Rep. Greg Steube (Aug. 24, 2026) — <https://steube.house.gov/?p=7154>

● Ways and Means Says Nonprofit Probe Is Gaining Momentum

House Ways and Means Chairman Jason Smith says the committee's investigation of tax-exempt organizations, launched in September 2024, is producing results with Treasury's cooperation. He cited three distinct fronts of the inquiry: charities allegedly linked to terrorism, the network tied to Neville Roy Singham, and nonprofits connected to anti-ICE unrest.

For the broader sector, congressional referrals to the IRS and Treasury signal heightened scrutiny of exempt status, foreign funding and political activity.

Source: Just the News —

<https://justthenews.com/government/congress/jason-smith-says-nonprofit-probe-producing-results-help-treasury>

● Education Department Restores 2020 Title IX Rules

A final rule from the Education Department's Office for Civil Rights, published and effective September 29, rescinds the 2024 Title IX amendments and returns the regulations to their 2020 text. Courts vacated the 2024 rule in early 2025, and it has not been enforced since January 31, 2025. The restored text drops the 2024 expansion of sex discrimination to cover gender identity.

Nonprofits and other recipients operating education programs with federal funds must keep published grievance procedures for student and employee complaints. The department expects no added costs because the 2020 rules have effectively governed for more than a year.

Source: Federal Register, Recodification of Title IX Rules (Sept. 29, 2026) —

<https://www.federalregister.gov/documents/2026/09/29/2026-19929/recodification-of-title-ix-rules>

● **White House Shelves Plan for Political Veto Over NIH Grants**

A draft executive order that would have given a commission of political appointees, including OMB Director Russell Vought, veto power over National Institutes of Health grant awards stalled after bipartisan pushback. Senate Appropriations Chair Susan Collins (R-Maine) warned it would undercut funding research based on scientific merit, and Vice Chair Patty Murray (D-Wash.) also objected.

Research nonprofits still face hurdles: OMB delayed approval of 2026 budgets, NIH previously paused spending, and multiyear funding requirements continue to limit the number of grants available.

Source: STAT (Sept. 23, 2026) —

<https://www.statnews.com/2026/09/23/nih-grants-political-control-executive-order-bipartisan-pushback/>

● **Physician Groups and Enrollees Sue Over Medicaid Work-Requirement Rule**

Five Medicaid enrollees, medical groups including the American College of Physicians and the American Academy of Pediatrics, and the City of Columbus, Ohio, sued HHS and CMS on September 18 in federal court in Maryland. They contend the June 3 interim final rule unlawfully narrows exemptions for medically frail people and those with substance use disorders and restricts self-attestation. The complaint cites estimates that the rule would raise annual coverage losses from about 6.4 million to 8.2 million people.

Starting January 1, 2027, covered adults ages 19 to 64 must log 80 hours a month of work, community service, a work program or half-time schooling, or meet an income test, with compliance checked every six months. Because community service counts, nonprofits that host volunteers or help clients keep coverage have a direct stake in the outcome.

Source: Taylor v. Kennedy complaint, U.S. District Court for the District of Maryland, via Democracy Forward (Sept. 18, 2026) —

<https://democracyforward.org/wp-content/uploads/2026/09/Taylor-et-al.-v.-Kennedy-Jr.-et-al-Complaint-Sept-18-2026.pdf>

Nonprofit Human Resources Developments

Executive Summary

Employment developments address unpaid volunteering, meal breaks, accommodation duties and discipline during protected activity. The Labor Department distinguishes freely chosen volunteer service from employees' paid duties and supports an unpaid lunch period on specific facts. EEOC actions focus

on pregnancy, religion and hiring data, while its docket review identifies enforcement priorities. PSLF appeals and H-1B fee litigation leave employers facing uncertainty. A pending Supreme Court retirement plan case concerns benchmarks for underperformance claims; no decision date has been set yet.

Key Actions for This Section

- Ensure employee volunteer service is freely given, unpaid and different from paid duties.
- Review pregnancy accommodation requests in light of the St. Louis Arc allegations; the summary warns against forced leave when workable accommodations exist.
- Evaluate religious accommodation requests against the substantial-burden standard described in the EEOC settlements.
- Support discipline during protected activity with consistent, well-documented treatment of misconduct.
- Use the DOL meal-break opinion only with attention to the specific facts supporting its conclusion.
- Track the PSLF appeals and H-1B fee litigation; current PSLF employer rules remain in effect, and appellate action could change the fee situation.

● DOL: Nonprofit Staff Can Volunteer, but Not at Their Day Jobs

In Opinion Letter FLSA2026-12, responding to a nonprofit that raises service dogs, the Labor Department said exempt and nonexempt employees may volunteer for their own employer only when the service is freely given, unpaid and different from the work they are paid to perform. A nonprofit employee cannot be both paid staff and an unpaid volunteer doing the same type of work.

The risk: mislabeled volunteer hours can create wage liability or undermine exemptions.

Source: U.S. Department of Labor, Opinion Letter FLSA2026-12 —

<https://www.dol.gov/sites/dolgov/files/WHd/opinion-letters/FLSA/FLSA2026-12.pdf>

● PSLF: Administration Appeals Rulings That Struck Its Employer Rule

The Education Department filed appeals on August 27 in both lawsuits that vacated its Public Service Loan Forgiveness employer eligibility rule, sending the cases to the First and D.C. Circuits. The June 30 rulings came one day before the rule was to take effect.

For now, existing PSLF employer rules govern and the vacated rule has no effect. But nonprofits that use PSLF to recruit and retain staff face prolonged uncertainty until an appeals court decides.

Source: The College Investor —

<https://thecollegeinvestor.com/87398/education-department-appeals-court-rulings-that-struck-down-pslf-employer-rule/>

● **EEOC Sues Disability-Services Nonprofit Over Pregnancy Accommodation**

The EEOC sued St. Louis Arc, a nonprofit disability-support provider, alleging it refused a pregnant employee's temporary 20-pound lifting restriction, although it routinely offered light duty to others with similar limits. Instead, it placed her on leave and fired her when that leave ran out.

The case, brought under the Pregnant Workers Fairness Act and Title VII, signals that forced leave is not an acceptable substitute when workable accommodations exist.

Source: U.S. Equal Employment Opportunity Commission (Sept. 30, 2026) —
<https://www.eeoc.gov/newsroom/eeoc-sues-st-louis-arc-pregnancy-discrimination>

● **EEOC's FY2026 Docket: Fewer Lawsuits, Sharper Targets**

Seyfarth's year-end review counts 97 EEOC merit lawsuits in fiscal 2026, with just 29 filed in September, well below recent year-end surges. The year-end rush is clearly fading. Priorities are unmistakable: 14 pregnancy-related suits and 15 race or national origin cases, up from three the prior year, several alleging discrimination against White or American workers.

For nonprofits, enforcement risk now concentrates on pregnancy accommodation and on hiring practices touching race or national origin.

Source: Seyfarth Shaw —
<https://www.seyfarth.com/news-insights/big-agenda-small-docket-decoding-the-eeocs-surprisingly-muted-fy-2026.html>

● **Walking to Lunch Doesn't Make a Meal Break Paid, DOL Says**

Opinion Letter FLSA2026-11 concludes that an unpaid 60-minute lunch remains a bona fide, noncompensable meal period even when employees spend six to 14 minutes walking to and from a designated break area, because 46 to 54 minutes remain to eat. The department repeated that 30 minutes is ordinarily enough for a bona fide meal period.

Nonprofits with designated break areas gain support for unpaid breaks, but the conclusion rests on the specific facts presented.

Source: U.S. Department of Labor, Opinion Letter FLSA2026-11 —
<https://www.dol.gov/sites/dolgov/files/WHD/opinion-letters/FLSA/FLSA2026-11.pdf>

● **Religious Accommodation: Two Health Employers Pay to Settle**

A large pediatric healthcare provider will pay \$650,000 to resolve a charge that it refused to excuse an employee, on religious grounds, from hormone and related treatments for minors. Separately, Mayo Clinic, a nonprofit operating hospitals in three states, will pay \$50,000 and train HR staff after denying a guard's COVID-19 vaccine exemption.

EEOC Chair Andrea Lucas stressed that denying an accommodation requires proof of substantial burden, not mere inconvenience.

Source: U.S. EEOC, Pediatric Hospital Settlement —

<https://www.eeoc.gov/newsroom/pediatric-hospital-pay-650000-over-alleged-failure-accommodate-religious-objection>

Source: U.S. EEOC, Mayo Clinic Settlement —

<https://www.eeoc.gov/newsroom/mayo-clinic-pay-50000-eeoc-covid-19-vaccine-religious-accommodation-suit>

● **NLRB Restores Employer-Friendly Test for Misconduct During Union Activity**

In *Lion Elastomers* (Sept. 23), the NLRB reinstated its *General Motors* standard. When an employee behaves abusively during union or other protected activity, the Board now applies the *Wright Line* burden-shifting test, treating misconduct separately from the protected activity. Employers prevail if they prove the discipline rested on the misconduct, not on the protected activity itself.

Unionized and organizing nonprofits gain latitude to enforce conduct rules, but only with consistent, well-documented discipline.

Source: Holland & Knight —

<https://www.hklaw.com/en/insights/publications/2026/09/workplace-civility-single-standard-for-imposing-employee-discipline>

● **Justices Lean Toward Benchmark Rule in Retirement-Plan Case**

At the October 6 argument in *Anderson v. Intel*, most justices appeared inclined to require participants who allege that plan investments underperformed to point to a meaningful benchmark. Justice Thomas cautioned against comparing funds with different risk profiles, and the solicitor general, representing the Labor Department, backed Intel, arguing ERISA measures a fiduciary's process rather than results.

No decision date has been set; one practitioner expects the Court to define “meaningful” and return the case to the Ninth Circuit. The ruling will determine how easily underperformance suits survive dismissal, including those against nonprofit employers that sponsor retirement plans.

Source: PLANSPONSOR (Oct. 6, 2026) —

<https://www.plansponsor.com/supreme-court-probes-meaningful-benchmark-definition-in-intel-oral-arguments/>

● **Second Court Blocks the \$100,000 H-1B Fee**

A federal court in California blocked the \$100,000 payment on certain new H-1B petitions on September 30, the second court to stop it after a Massachusetts ruling in June. The order also reaches the one-year extension proclaimed September 18, so the government cannot currently collect the fee. Normal H-1B fees typically run \$2,000 to \$5,000.

Nonprofits sponsoring foreign professionals can file without the payment for now, though appellate action could change the picture.

Source: Ellis (ellis.com) — <https://www.ellis.com/resources/h1b-100k-fee-blocked-california>

● EEOC Takes Harvard to Court Over Hiring-Data Subpoena

The EEOC sued to enforce a subpoena in its systemic-discrimination probe of Harvard, which alleges faculty hiring driven by diversity objectives disadvantaged certain groups. Harvard says the subpoena contains more than 700 requests covering hundreds of individuals and calls the investigation retaliatory.

The fight shows how aggressively the agency will pursue hiring data from institutions with stated diversity goals, a signal for nonprofit employers whose hiring programs reference such objectives.

Source: HR Dive — <https://www.hrdive.com/news/eeoc-sues-harvard-dei-investigation-subpoena/832037/>

IRS, Accounting and Finance Developments

Executive Summary

The IRS guidance agenda includes donor advised funds, fiscal sponsorship, political activity, executive compensation and foundation rules, but listing a project does not ensure issuance. Group exemption holders must use Form 15644 for required reporting. Private school nondiscrimination proposals carry a November 3 comment deadline, and scholarship tax credit proposals invite comments through December 1. The Compliance Supplement remains unfinished, delaying single audit reports without extending filing deadlines. FASB seeks comments on proposed Codification improvements addressing receivables and other issues.

Key Actions for This Section

- Verify subordinate rosters and records before required Form 15644 group exemption filings.
- Assess private school exposure, confirm publication and recordkeeping compliance, and decide whether to comment by November 3.
- Track guidance projects affecting donor-advised funds, fiscal sponsorship, political activity, compensation, tax and grant oversight obligations.
- Account for the scholarship tax credit rules' registration, acknowledgment and reporting obligations, and note the December 1 proposed-rule comment deadline.
- Continue single audit testing under the draft; consider separating financial statement issuance from the single audit report, recognizing that filing deadlines have not been extended.
- Check whether proposed FASB clarifications would alter accounting for significant receivables or rabbi trusts, and note the November 19 comment deadline.

● IRS Agenda Targets DAFs, Fiscal Sponsors and Political Activity

Treasury and the IRS released their 2026-2027 Priority Guidance Plan on September 29, listing 121 projects for October 2026 through September 2027. Exempt-organization items include guidance on donor-advised fund arrangements, information reporting for fiscal sponsorship arrangements, the Johnson Amendment's ban on campaign intervention, and revisions affecting certain group exemption letters.

Inclusion on the plan does not guarantee guidance will issue, but fiscal sponsors, DAF sponsors and advocacy-oriented charities face potentially significant reporting and compliance changes.

Source: IRS, 2026-2027 Priority Guidance Plan — <https://www.irs.gov/pub/irs-counsel/2026-2027-initial-pgp.pdf>

● Proposed Rules Put Private Schools' Exemptions on the Line

Proposed Treasury regulations would tie private schools' Section 501(c)(3) status to stricter racial nondiscrimination rules reaching beyond admissions to other school programs. The proposals are not yet effective. Comments are due November 3, also the deadline to request to speak at a December 2 public hearing.

Private K-12 schools, colleges and universities should assess exposure now, confirm publication and recordkeeping compliance, and decide whether to comment while the rules remain proposed.

Source: CLA (CliftonLarsonAllen) — <https://www.claconnect.com/en/resources/articles/26/racial-nondiscrimination-rules>

● Group Exemption Holders Must Use New Form 15644

Under Revenue Procedure 2026-8, central organizations with group exemptions must now file new Form 15644, Supplemental Group Ruling Information, every year as a condition of keeping their group

exemption letters. The form is also used between annual filings to add or remove subordinates, update IRS records and report changes in a subordinate's purpose, character or method of operation.

Chapter-based networks, federations and denominations should verify subordinate rosters and records before filing.

Source: EY Tax News —

<https://taxnews.ey.com/news/2026-1571-central-organizations-must-use-new-form-15644-to-provide-information-required-to-maintain-group-exemption-letters>

● **Guidance Plan Also Eyes Executive Pay, Endowment and Foundation Rules**

The same plan calls for regulations on the expanded Section 4960 covered-employee definition for the excise tax on pay above \$1 million, the investment income excise tax on certain private colleges, private foundation expenditure responsibility (listed under deregulation), and where exempt organizations must make materials available for public inspection.

Large nonprofits, hospital systems, universities and grantmaking foundations should track each project closely, since final rules could change compensation, tax and grant-oversight obligations.

Source: IRS, 2026-2027 Priority Guidance Plan — <https://www.irs.gov/pub/irs-counsel/2026-2027-initial-pgp.pdf>

● **Rules Arrive for New Federal Scholarship Tax Credit**

Treasury and the IRS issued detailed proposed regulations and companion temporary rules for the Section 25F tax credit for gifts to scholarship-granting organizations (SGOs). The temporary rules create IRS portals for state and SGO registration and reporting and require SGOs to give donors acknowledgments carrying unique donor numbers. Comments on the proposed rules are due December 1.

Nonprofits planning to operate as SGOs face new registration, acknowledgment and reporting obligations.

Source: Journal of Accountancy —

<https://www.journalofaccountancy.com/news/2026/oct/treasury-irs-propose-regulations-for-education-tax-credit/>

● **Single Audits Stalled: Compliance Supplement Still Not Final**

OMB released a draft 2026 Compliance Supplement on September 29, but no final release date has been set, and auditors cannot issue single audit reports until it arrives. Based on OMB drafts, few changes are expected. Keiter expects the final version may not appear until the stopgap bill's grant-rule freeze lifts December 11, or later.

Filing deadlines will not be extended, so nonprofits with June 30 year-ends can keep testing under the draft and may separate financial statement issuance from completion of the single audit report, though reports may be issued late.

Source: Keiter CPAs — <https://keitercpa.com/?p=48504>

● FASB Proposes Codification Fixes; Comments Due November 19

FASB proposed a Codification-improvements update addressing 21 issues, seeking particular feedback on six, including the scope of the credit-loss practical expedient for receivables, whether a rabbi trust must be consolidated as a variable interest entity, and modified share-based awards. Comments are due November 19, the same day as a separate stablecoin proposal.

Nonprofits with significant receivables or rabbi trusts funding deferred compensation should check whether the clarifications would alter their accounting.

Source: Deloitte DART —

<https://dart.deloitte.com/USDART/home/news/all-news/2026/sep/fasb-proposes-improvements-codification>

State Nonprofit News Developments

Executive Summary

State developments affect exemption status, employment compliance, newsroom revenue and public service funding. California allows discretionary retention of certain state exemptions and creates qualifying newsroom tax credits. Connecticut workplace requirements took effect October 1 without a grace period. Maryland prepares for Medicaid verification changes, and Rhode Island redesigns benefit notices. November tax measures could alter state and local revenues in multiple states. Florida's designation of CAIR creates restrictions on public benefits and contracts while a constitutional challenge remains pending there.

Key Actions for This Section

- Update Connecticut job postings, training-repayment agreements, notices and handbooks for requirements now in effect.
- Track California exemption developments with attention to the Franchise Tax Board's discretion and the exclusions stated in the summary.
- Review California newsroom tax credit eligibility and nonprofit board disclosure requirements.
- Learn the redesigned Maryland Medicaid notices and paperwork needed to explain the twice-yearly verification cycle to clients.
- Use Rhode Island's redesigned benefit decision notices when helping clients interpret decisions and appeals.
- Monitor November tax ballot measures affecting state and local service funding, along with Florida's designation restrictions and the pending CAIR-Florida challenge.

● California: State Exemption Can Survive Federal Revocation

Gov. Newsom signed AB 2084 on September 30. The law gives the Franchise Tax Board discretion to retain a nonprofit's state tax exemption when its federal exemption is suspended or revoked for reasons other than fraud, intentional misrepresentation, misuse of funds, failure to file required returns, or significant reporting or governance breaches.

California charities gain a buffer against federal revocations, though FTB retention is discretionary, not automatic, and applies to 501(c)(3)s.

Source: Office of Gov. Gavin Newsom (Sept. 30, 2026) —

<https://www.gov.ca.gov/2026/09/30/governor-newsom-issues-legislative-update-9-30-2026/>

Source: GovBuddy bill summary, AB 2084 — <https://www.govbuddy.com/california/bills/ab-2084/>

● Connecticut: New Workplace Laws Hit All Employers October 1

A package of Connecticut workplace laws took effect October 1, 2026, with no small-employer phase-in for most provisions. Job postings must include pay ranges, enforceable through a private right of action; the stay-or-pay ban now covers employers of every size for agreements signed on or after that date; and new lactation-break, accommodation-notice and employee-monitoring requirements apply.

Connecticut nonprofits should update job postings, training-repayment agreements, notices and handbooks now; there is no grace period.

Source: Beancount.io (Oct. 2, 2026) —

<https://beancount.io/blog/2026/10/02/connecticut-october-2026-employer-to-do-list-pay-transparency-stay-or-pay-monitoring-guide>

● Maryland Enlists Code for America Ahead of Medicaid Work Rules

The Maryland Health Benefit Exchange is partnering with civic-tech nonprofit Code for America to modernize its technology, workflows, notices and forms before Medicaid work requirements begin January 1, 2027. States must check compliance twice a year, roughly doubling the workload for enrollees and caseworkers, Code for America says.

Maryland nonprofits that help clients keep coverage face the same doubled verification cycle, plus redesigned notices and paperwork they must learn to explain.

Source: Route Fifty —

<https://www.route-fifty.com/digital-government/2026/09/maryland-gets-nonprofit-support-implement-new-work-requirements/416173/>

● California: New Tax Credits for Nonprofit and Local Newsrooms

Gov. Newsom signed AB 2222 on September 30, creating refundable credits of up to \$20,000 per qualifying journalist, plus up to \$15,000 for each new full-time hire. Nonprofit and for-profit newsrooms qualify; outlets controlled by PACs, parties, Section 527 groups or 501(c)(4)s do not. Nonprofit applicants must disclose their boards of directors.

California nonprofit newsrooms gain a meaningful new revenue stream for retaining and hiring reporters, subject to eligibility and disclosure rules.

Source: Davis Wright Tremaine —

<https://www.dwt.com/insights/2026/10/california-journalist-refundable-tax-credit>

● Colorado: Income Tax Overhaul on November Ballot

Colorado voters will decide Amendment 87, which would replace the flat 4.4% income tax with six brackets from 3.7% to 8.4% and exempt new revenue from refund requirements. Rival Proposition 136 would cap rates at 4.4% to block it. Supporters say most taxpayers would pay less and services would gain; several opposition committees have formed.

Nonprofits delivering state-funded education and health services have a direct stake in which measure prevails.

Source: Chalkbeat Colorado (Oct. 1, 2026) —

<https://www.chalkbeat.org/colorado/2026/10/01/voter-guide-amendment-87-ballot-measure-school-funding/>

● Florida: Nonprofits Warn Property Tax Amendment Threatens Local Funding

A Florida Nonprofit Alliance survey found 91% of responding nonprofits rate local government funding highly important to their missions, as voters weigh Amendment 3, a property tax measure that would reduce local revenue. The alliance surveyed nonprofits statewide in July, has issued a messaging toolkit, and maintains a property tax resource center.

Florida nonprofits that partner with cities and counties face real funding risk depending on the November outcome, particularly those relying on local contracts.

A St. Pete Polls survey released September 23 found 45% of likely voters supporting Amendment 3, short of the 60% needed to pass. The measure would raise the non-school homestead exemption to \$150,000, rising to \$250,000 by 2028, reducing government revenue by about \$12 billion once fully in effect.

Source: Florida Nonprofit Alliance —

<https://www.flnonprofits.org/news/florida-nonprofits-share-concerns-about-potential-property-tax-amendment-impacts>

Source: FOX 13 Tampa Bay (Sept. 23, 2026) —

<https://www.fox13news.com/news/amendment-3-falls-short-passage-threshold-new-poll>

● Rhode Island Redesigns Benefit Decision Notices

Rhode Island redesigned the roughly 60,000 benefit decision notices it mails monthly through RIBridges for Medicaid, SNAP, Rhode Island Works and child care assistance, putting eligibility decisions and explanations front and center. A Rhode Island Legal Services attorney said the former notices were confusing because information was presented piecemeal.

Legal aid and client-assistance nonprofits that help residents interpret decisions and appeals will now work from the new format with clients.

Source: Rhode Island Current via States Newsroom — <https://www.newsfromthestates.com/node/428637>

● Florida: CAIR Designated a Domestic Terrorist Group

Gov. Ron DeSantis and the Cabinet on September 29 designated the Council on American-Islamic Relations, the Muslim Brotherhood and Antifa as domestic terrorist groups, and added more than 90 federally designated foreign terrorist organizations to the state list. They acted under HB 1471, effective July 1, after a federal court temporarily blocked DeSantis's December 2025 executive order against CAIR on First Amendment grounds.

State agencies, counties, cities and regulated entities must now bar anyone known to have provided material support to a designated group from receiving contracts, jobs, funds or other benefits. CAIR-Florida has filed suit challenging the designation as unconstitutional.

Source: WUWF / WLRN, reporting from Florida Phoenix (Sept. 29, 2026) —

<https://www.wuwf.org/florida-news/2026-09-29/governor-cabinet-approve-designation-of-cair-as-a-domestic-terrorist-group>

● Tax Measures in More States Put Service Funding on the Ballot

Beyond Colorado and Florida, November ballots carry measures that would reshape state and local revenue. Wyoming Initiative 1 would exempt half of a primary residence's assessed value from property tax, costing about \$125 million a year; Oklahoma SQ 847 would tighten assessment growth

caps; and North Carolina voters will weigh limits on local property tax levies and a cut in the constitutional income tax cap from 7% to 3.49%.

Washington voters will decide whether to repeal the state's 9.9% tax on income above \$1 million, worth about \$3.1 billion in its first year, while California's Proposition 40 would impose a one-time 5% tax on billionaires' wealth to fund Medi-Cal. The Wyoming Nonprofit Network opposes Initiative 1.

Source: Institute on Taxation and Economic Policy (Sept. 8, 2026) —

<https://itep.org/2026-state-tax-ballot-measures-to-watch/>

Source: National Council of Nonprofits, Nonprofit Champion (Oct. 5, 2026) —

<https://www.councilofnonprofits.org/nonprofit-champion-october-5-2026>

Summary

This week's update describes continuing federal grant uncertainty, pending funding litigation and proposed changes affecting bank grants and Head Start. Employment coverage clarifies the limits on employee volunteering and unpaid meal breaks, while accommodation cases, hiring investigations and labor rulings identify specific workplace concerns. PSLF appeals, H-1B litigation and the retirement plan case remain unresolved. IRS and finance developments combine new group exemption reporting with proposed rules and planned guidance; the unfinished Compliance Supplement continues to delay single audit reports without extending deadlines. State developments include requirements already effective in Connecticut, California exemption and newsroom provisions, redesigned benefit administration and November tax measures affecting public revenues. The summaries identify immediate deadlines and current obligations while distinguishing proposals and pending proceedings from settled outcomes.

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