

Abstract

This October 19 nonprofit news update examines the December 11 federal funding deadline, new Education Department grant drawdown requirements, and significant developments affecting nonprofit compliance, staffing and finances. Federal developments include Medicaid eligibility changes, litigation involving grant funds, the 2030 Census proposal and political-activity rules. Human resources coverage highlights the announced 2027 Social Security wage cap, federal contractor requirements, worker classification and education-sector rules. Tax and accounting updates address the November 16 Form 990 extension deadline, year-end charitable giving, information returns and single-audit delays. State coverage follows nonprofit designation laws, public funding pressures, charitable registration, contract payments and state-specific changes.

October 19, 2026 Navigator News Update: Including OMB Grant Rules Update, New Education Department Grant Requirements, Medicaid Eligibility Changes, and More!

From Nonprofit Management Navigator, a DBA of PMG46, LLC

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Introduction

Nonprofit leaders face overlapping federal, state and operational developments as the final months of 2026 approach. Congress must resolve fiscal 2027 funding by December 11, while a temporary restriction on OMB's proposed Uniform Guidance revision remains in place. Education Department grantees face a November 1 change to payment-request documentation. Meanwhile, employers must prepare for an updated 2027 Social Security wage base and track changes to federal contractor and employment rules. Finance teams have a November 16 deadline for extended calendar-year Forms 990 and are navigating new charitable giving provisions and a delayed federal audit supplement. State developments touch public-benefit programs, nonprofit funding, registration, governance and AI hiring practices.

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

Federal News and Regulatory Developments

Executive Summary

Federal funding and grant administration face several near-term decisions. Congress has until December 11 to resolve fiscal 2027 appropriations, while OMB's proposed Uniform Guidance revision remains on hold under the stopgap measure. Education grantees face new drawdown descriptions November 1. Medicaid eligibility changes, proposed Census counting rules, election-related investigations and grant restrictions, and legal disputes over federal funds create additional uncertainty. Treasury's guidance plan also signals possible changes affecting campaign intervention, donor-advised funds and fiscal sponsorship arrangements.

Key Actions for This Section

- Confirm whether Education Department payment requests can meet the November 1 written-justification requirement.
- Review federal-award exposure ahead of the December 11 appropriations and OMB decision point.
- Consider submitting comments on the 2030 Census proposal before November 2 deadline.
- Review service impacts from Medicaid eligibility changes and the status of beneficiary notices and appeals.
- Track litigation and administrative changes affecting restricted or rescinded federal funds.
- Monitor Treasury and OMB proposals affecting voter registration, campaign intervention and fiscal sponsorship.

● Congress Faces December 11 Deadline to Finish Fiscal 2027 Funding

Federal agencies are running on a stopgap law (P.L. 119-103), signed Sept. 2, that extends fiscal 2026 funding through Dec. 11 and pushes full-year fiscal 2027 decisions past the midterm elections.

One provision matters to every grantee: while the stopgap is in effect, OMB may not act on its proposed rewrite of the Uniform Guidance that governs federal awards. Nonprofits that depend on federal funds face another deadline in December, with final spending levels and the grant-rules overhaul both unresolved.

Source: [AAMC Washington Highlights, Sept. 4, 2026](#)

Education Department Will Require Written Justification for Every Drawdown Starting Nov. 1

Beginning Nov. 1, all Education Department grantees, from early childhood through adult education, must justify each payment request in writing: program, expense categories, amounts and expense dates, in 255 characters or less. The policy grows out of DOGE's "defend the spend" initiative.

Officials call it common sense. Superintendents and special education directors warn of added paperwork and slower payments. Grantees must adapt drawdown procedures quickly or risk flagged requests and cash-flow delays.

Source: [Higher Ed Dive, Oct. 6, 2026](#)

Records Show DHS Investigated More Than 150 Voter-Registration Groups

Internal Homeland Security documents, obtained by Democracy Forward through a public records request and reported Oct. 7, show DHS had investigated more than 150 organizations it suspected of helping noncitizens register to vote, including 82 in Pennsylvania and about 44 in New Jersey. A June memo discussed possibly sending undercover agents, and the Justice Department supplied more than 50 million records.

In Nevada, a state review found that all 185 people federal officials had flagged as noncitizens were citizens. DHS declined to discuss open cases. Critics see the probes as an attempt to intimidate voting rights groups, weeks before the Nov. 3 midterms.

Source: [The New York Times \(republished by GV Wire\), Oct. 7, 2026](#)

Refugees and Asylees Lose Medicaid Eligibility Nationwide

Since Oct. 1, federal Medicaid and CHIP funding under the 2025 budget law (H.R. 1) is limited to citizens, green-card holders past the five-year wait, certain Cuban and Haitian entrants and COFA migrants. States may also choose to cover lawfully residing children and pregnant people. Refugees, asylees, certain parolees, trafficking victims and several other groups lose full coverage, though emergency Medicaid remains.

States must verify immigration status and give advance notice, with appeal rights, before ending benefits. KFF told NPR most people losing coverage have no realistic alternative, though a few states are creating their own options. Feldesman expects added verification work and coverage disruptions for providers and advocates.

Source: [NPR \(via WCBE\), Oct. 1, 2026](#); [Feldesman LLP, May 19, 2026](#)

White House Cancels \$810 Million via “Pocket Rescission”; GAO Objects and Seven States Sue

Days before fiscal 2026 ended, the administration moved to cancel \$810 million, including \$567 million for HHS refugee resettlement programs, \$56 million for HUD housing counseling and \$25 million for migrant education. Because the request arrived too late for Congress to act, the money would simply expire.

On Sept. 29, GAO concluded the Impoundment Control Act doesn’t allow the President to hold these funds beyond the fiscal year; the White House disputes that reading. On Sept. 30, California, Maine, Maryland, Michigan, Nevada, New Mexico and Oregon sued in federal court in Northern California, arguing the move violates the Constitution and the Administrative Procedure Act. Grantees in targeted programs face continued uncertainty over money Congress already approved.

Source: [Roll Call, Sept. 28, 2026](#); [U.S. Government Accountability Office, B-338788, Sept. 29, 2026](#); [IBTimes, Oct. 1, 2026](#)

Patients and Medical Groups File New Suit Against CMS Medicaid Work-Requirement Rule

In Taylor v. Kennedy, filed Sept. 18 in Maryland federal court, Medicaid enrollees, the American Academy of Pediatrics, the American College of Physicians, the city of Columbus, Ohio, and others challenge CMS’s interim final rule on “medically frail” exemptions. They argue it unlawfully forces enrollees to prove their conditions significantly impair their ability to meet the 80-hour monthly requirement.

Work requirements begin Jan. 1, 2027, but a three-month lookback means new applicants may need qualifying activities starting this month, leaving clients and the nonprofits serving them little time to adjust. In July, a federal judge declined to block the same rule in a separate suit brought by a coalition of states.

Source: [WBIW News, Sept. 23, 2026](#); [Becker’s Payer Issues, Sept. 22, 2026](#)

Census Bureau’s 2030 Proposal Could Reshape Federal Funding Formulas; Comments Due Nov. 2

A Sept. 10 proposed rule would limit the apportionment count to citizens and lawful permanent residents, define residence by where people lawfully spent the most days between Jan. 3 and April 1, rely more on tax and other administrative records, and bar race and ethnicity questions.

Census data steers hundreds of billions of dollars a year, including Community Development Block Grants, so the changes would likely affect funding for communities’ nonprofits serve. Comments close Nov. 2.

Source: [National League of Cities, Sept. 28, 2026 \(updated Oct. 6\)](#)

● OMB Grants Overhaul Would Bar Federal Funds for Voter Registration, Threatening Disability Voting Grants

OMB's proposed grants rule would prohibit using federal grant money for voter registration or vaguely defined "related activities." ProPublica reports it endangers about \$10 million a year in Help America Vote Act grants that 57 disability groups use to help people register and vote.

The loose wording leaves thousands of nonprofits unsure whether they're covered, including groups legally required to offer registration forms during benefits enrollment. Any change would follow the midterms, and litigation is almost certain.

Source: [ProPublica \(republished by NewsGram\), Sept. 30, 2026](#)

● Federal Court Vacates Immigration-Check Notices in HUD, HHS, Labor and Education Programs

On Sept. 21, a federal court vacated PRWORA notices from HUD, HHS, Labor, Education and Justice that expanded which programs require immigration-status verification. HUD's notice, the court found, skipped required notice-and-comment rulemaking; it would have imposed checks on CDBG, HOME and Continuum of Care grantees not previously covered.

The requirement is gone for now, but agencies remain free to pursue formal rulemaking, so grantees face possible new proposals.

Source: [National Low Income Housing Coalition, Sept. 28, 2026](#)

● Supreme Court Lets Federal Citizenship Database Be Used to Check Voters

The Supreme Court declined to block an executive order letting state and local officials verify the citizenship of registered and prospective voters using a federal database that includes Social Security numbers. Because federal law bars systematic voter-roll purges within 90 days of a federal election, the decision is unlikely to affect November's midterms but could shape future elections.

Nonprofits doing voter registration and outreach will need to follow how states use these checks.

Source: [National Council of Nonprofits, Nonprofit Champion, Oct. 5, 2026](#)

● Justice Department Asks Appeals Court to Let Churches Endorse Candidates Despite Johnson Amendment

In a Sept. 21 Fifth Circuit brief, DOJ asked judges to reverse a Texas ruling that threw out a 2025 settlement barring IRS enforcement when churches address politics with congregations during services. DOJ argues the Anti-Injunction Act doesn't apply but doesn't join plaintiffs' claim that the law is unconstitutional.

Reinstating the settlement would significantly weaken enforcement of the campaign-intervention ban that covers all 501(c)(3) organizations.

Source: [Accounting Today \(Bloomberg News\), Sept. 23, 2026](#)

● Treasury's 2026–2027 Priority Guidance Plan Targets Johnson Amendment, DAFs and Fiscal Sponsorship

Released Sept. 29, the plan lists guidance on political-campaign restrictions, donor-advised fund arrangements and a new item on reporting fiscal sponsorship arrangements. It also anticipates final rules on private schools that discriminate by race (proposed Sept. 4) and regulations on the expanded excise taxes on executive pay and college investment income.

No completion dates are set, but these projects could reshape compliance and reporting for charities, fiscal sponsors and their donors.

Source: [ArentFox Schiff, Oct. 7, 2026](#)

● Treasury Rules Let 501(c)(3)s Fund Trump Account Contributions for Children; Comments Due Nov. 30

Rules released Sept. 29 let eligible 501(c)(3)s and government entities fund contributions to children's Trump Accounts through Treasury, which splits the money equally among a defined class of at least 5,000 beneficiaries based on geography and birth year. Gifts may be cash or certain publicly traded stock, which generally must be held up to five years.

Charities and foundations weighing participation face new, untested mechanics. Comments are due Nov. 30.

Source: [Sullivan & Cromwell, Oct. 8, 2026](#)

Nonprofit Human Resources Developments

Executive Summary

Payroll and employment teams face both firm deadlines and unsettled federal proposals. The announced 2027 Social Security taxable wage cap is \$192,300, requiring payroll changes before January. Federal contractor affirmative-action rules change October 26, while changes to disability self-identification requirements have already begun.

Education-sector employers must follow restored Title IX rules. Proposed OPT and H-1B fees, an independent-contractor regulation under review, potential changes to EEOC guidance and EEO-1 reporting, and continued PSLF appeals warrant monitoring rather than assumptions of final action.

Key Actions for This Section

- Update payroll configuration for the \$192,300 Social Security taxable wage cap before the first 2027 paychecks.
- Review federal contractor policies and certifications in light of the October 26 EO 11246 rescission.
- Revise disability self-identification materials and monitor the December 19 phase of the Section 503 changes.
- Confirm federally funded school and college Title IX policies reflect the restored 2020 requirements.
- Monitor the proposed OPT and H-1B fees and their applicability to university or nonprofit hiring.
- Maintain existing reporting and screening obligations while EEO-1, EEOC and contractor-classification actions remain pending.

Payroll Alert: Social Security Sets 3.6% COLA for 2027; Load the New Wage Cap Before January

On Oct. 14, the Social Security Administration announced a 3.6% cost-of-living adjustment for 2027, which first shows up in benefits paid in January 2027. The annual announcement also sets the 2027 cap on wages at \$192,300 subject to the 6.2% Social Security tax, up from \$184,500 in 2026; SSA posts the new figure on its Contribution and Benefit Base page.

Every nonprofit that runs payroll must load the new 2027 cap before January paychecks. If the update is missed, withholding for higher-paid staff will be wrong.

Source: Social Security Administration, Oct. 14, 2026 —

<https://www.ssa.gov/news/en/press/releases/2026-10-14.html>

Also: FedSmith, Oct. 14, 2026 —

<https://www.fedsmith.com/2026/10/14/2027-cola-finalized-how-much-more-federal-retirees-will-receive/>

Also: Social Security Administration, Contribution and Benefit Base —

<https://www.ssa.gov/oact/cola/cbb.html>

● **Federal Contractor Race- and Sex-Based Affirmative Action Rules End Oct. 26**

OFCCP's rule rescinding the Executive Order 11246 regulations takes effect Oct. 26.

Written affirmative action plans for race and sex, workforce analyses, placement goals and construction-trade participation goals are eliminated.

Nonprofit federal contractors still face Title VII, Section 503 and VEVRAA obligations, plus a March 2026 executive order on contractors' race-based DEI activities. Review legacy plans, DEI programs and contract certifications, and document reasons for any practices you keep.

Source: Freeman Mathis & Gary, Aug. 26, 2026 —

<https://www.fmglaw.com/employment-law-blog-us/ofccp-formally-ends-eo-11246-affirmative-action-requirements/>

● **DHS Proposes \$70,000 Fee on Colleges per OPT Student; Comments Due Nov. 9**

A proposed rule published Oct. 8 would charge schools \$70,000 the first time they recommend an F-1 student for Optional Practical Training and \$30,000 for the STEM extension. Students already on OPT or with pending applications would not be affected.

Nonprofit colleges and universities face steep new costs, possible enrollment declines and tuition pressure. Comments are due Nov. 9, and lawsuits are widely expected once a final rule issues.

Source: American Immigration Council, Oct. 9, 2026 —

<https://www.americanimmigrationcouncil.org/blog/trump-stem-opt-fee-post-graduate-international-students/>

● **Labor Department's Final Independent Contractor Rule Still Under White House Review**

The Wage and Hour Division has sent its final worker-classification rule to the White House Office of Information and Regulatory Affairs, the last stop before publication; as of Oct. 14 it had not been published. If finalized as proposed in February, it would replace the 2024 rule with an "economic realities" test focused on two core factors, the company's control over the work and the worker's chance for profit or loss, under the FLSA, FMLA and MSPA, largely reviving the 2021 approach.

Nonprofits using contract trainers, consultants or other freelancers should be ready to recheck classifications. White House review can take several weeks, and the rule would take effect only after publication.

Source: Ogletree Deakins, Beltway Buzz, Oct. 9, 2026 —

<https://ogletree.com/insights-resources/blog-posts/beltway-buzz-october-9-2026/>

Also: U.S. Department of Labor, Feb. 26, 2026 —

<https://www.dol.gov/newsroom/releases/whd/whd20260226>

● **EEOC Moves to Scrap 2012 Criminal Background Check Guidance**

On Oct. 6, the EEOC sent the White House regulatory office a final rule rescinding its 2012 guidance on using arrest and conviction records in hiring. That guidance told employers to

weigh the offense, how much time had passed and the job's duties. No timetable for the review has been announced, and the EEOC may not issue replacement guidance.

Rescission is not a free pass. Title VII still bars uneven application of screening policies, private plaintiffs may still pursue disparate-impact claims, and the Fair Credit Reporting Act and state and local background-check laws are unaffected.

Source: HR Dive, Oct. 8, 2026 —

<https://www.hrdive.com/news/eeoc-moves-to-rescind-conviction-and-arrest-record-guidance-from-2012/832553/>

Also: Ogletree Deakins, Oct. 2026 — <https://ogletree.com/?p=93621>

● **OFCCP Drops Disability Self-ID and 7% Goal; Final Phase Arrives Dec. 19**

OFCCP's Section 503 rule ended the disability self-identification invitations, the related data collection and the 7% utilization goal on Sept. 20. Removal of the duplicate 41 CFR Part 60-30 follows Dec. 19, and the basic coverage threshold rises to \$20,000.

Contractors at the 50-employee/\$50,000 level still need affirmative action programs, outreach, nondiscrimination and reasonable accommodation. Hiring forms and plan templates built around self-ID data will need revision.

Source: DirectEmployers Association, Aug. 21, 2026 —

<https://directemployers.org/2026/08/21/ofccp-section-503-final-rule-disability-self-id-utilization-goal/>

● **Education Department Formally Restores 2020 Title IX Rules**

A final rule published Sept. 29 and effective immediately repeals the 2024 Title IX regulations and restores the 2020 text, with four narrow exceptions. Courts had already vacated the 2024 rule, and OCR has enforced the 2020 version since early 2025.

Nonprofit colleges and schools receiving federal funds should confirm that policies, training and employee notices no longer cite the 2024 rule, especially provisions on complaints against employees, administrative leave and pregnancy protections.

Source: CUPA-HR, Sept. 2026 —

<https://www.cupahr.org/resource/department-of-education-issues-final-rule-formally-repealing-biden-administrations-title-ix-regulations/>

● **Proposed \$103,265 H-1B Lottery Fee Awaits Final Rule; Cap-Exempt Filings Excluded**

DHS has proposed a \$103,265 fee, on top of existing charges, for every cap-subject H-1B petition. Cap-exempt petitions are not covered. Comments closed Sept. 24 after more than 11,000 were filed, and a final rule is pending.

Nonprofits that are not cap-exempt and hire specialized staff through the H-1B lottery would face a major new cost, potentially alongside any separate payment required by presidential proclamation.

Source: Federal Register, Aug. 25, 2026 —

<https://www.federalregister.gov/documents/2026/08/25/2026-17324/fee-for-certain-h-1b-petitions>

● **EEO-1 Repeal Still Pending; Current Reporting Rules Stay in Force**

The EEOC has proposed eliminating the EEO-1 and the related EEO-2 through EEO-6 reports, along with associated recordkeeping. Comments closed Aug. 25, but no final rule has been issued.

Nonprofits with 100 or more employees remain bound by existing reporting and recordkeeping rules and should keep preparing reports as a precaution. State mandates, such as California's pay data reporting, are unaffected.

Source: CalChamber HRCalifornia, Aug. 5, 2026 —

<https://hrcalifornia.calchamber.com/articles/eeoc-votes-to-end-eEO-1-reporting-comment-period-open>

● **Administration Appeals Rulings That Struck Down PSLF Employer Rule**

On Aug. 27, the Education Department appealed two June 30 court decisions that threw out its rule letting the Secretary disqualify nonprofit employers from Public Service Loan Forgiveness for a "substantial illegal purpose." The cases move to the First and D.C. Circuits, and decisions could come in 2027.

The vacated rule has no effect for now, so staff can keep certifying nonprofit employment. A reversal on appeal would revive a real recruiting and retention risk.

Source: The College Investor, Aug. 27, 2026 —

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

IRS, Accounting & Finance Developments

Executive Summary

Finance teams face filing, audit and year-end giving changes. Extended calendar-year Forms 990 are due November 16, while revised charitable deductions may change donor communications. A higher \$2,000 threshold applies to many 2026 Forms 1099-NEC and 1099-MISC. The final 2026 OMB Compliance Supplement remains delayed, affecting single-audit issuance. Treasury and IRS planning includes proposed guidance on donor-advised funds, fiscal sponsorship, executive pay and endowment taxes. Scholarship tax-credit rules and accounting standards add matters for review before year-end.

Key Actions for This Section

- Confirm timely filing of extended calendar-year Forms 990, 990-EZ or 990-PF by November 16.
- Update 2026 year-end donor communications to reflect the deduction rules described in this issue.
- Adjust contractor-payment reporting processes for the \$2,000 federal 1099 threshold while checking state requirements.
- Coordinate with auditors on the draft versus final OMB Compliance Supplement and single-audit timing.
- Review year-end receivables accounting and the credit-loss expedient under ASU 2025-05.
- Monitor pending Treasury and IRS work on fiscal sponsorship, donor-advised funds and applicable excise taxes.

● **Extended Form 990 Deadline for Calendar-Year Filers Is Nov. 16**

Calendar-year exempt organizations that obtained the automatic six-month extension with Form 8868 must file Forms 990, 990-EZ or 990-PF by Monday, Nov. 16, because Nov. 15 falls on a Sunday.

Late returns can draw penalties, and an organization that fails to file for three consecutive years automatically loses its tax exemption. Boards and finance staff should confirm now that schedules, reviews and signatures are on track.

Source: IRS, Annual Exempt Organization Return: Due Date —

<https://www.irs.gov/charities-non-profits/annual-exempt-organization-return-due-date>

● **New Deduction Rules Reshape 2026 Year-End Giving**

For 2026, donors who take the standard deduction can write off up to \$1,000 (\$2,000 for joint filers) in cash gifts to qualifying charities; gifts to donor-advised funds don't count. Itemizers can deduct only giving above 0.5% of adjusted gross income. Donors 70½ or older can give up to \$111,000 through IRA qualified charitable distributions.

Year-end appeals and gift acknowledgments should explain which gifts qualify under the new rules.

Source: East Texas Communities Foundation, Oct. 9, 2026 —

<https://etcf.org/2026/10/09/year-end-checklist>

● **Form 1099-NEC and 1099-MISC Threshold Jumps to \$2,000 for 2026 Payments**

Payments made in 2026 generally need not be reported on Forms 1099-NEC or 1099-MISC until a payee's annual total reaches \$2,000, up from \$600. The threshold will be indexed for inflation beginning in 2027.

Update accounting software before the January 2027 filings, keep collecting W-9s up front, and check state rules, since some states may still require reporting at lower amounts.

Volunteer treasurers and bookkeepers will need training on the change.

Source: Withum, Aug. 11, 2026 —

<https://www.withum.com/resources/what-nonprofits-need-to-know-about-the-new-form-1099-reporting-thresholds/>

● **OMB Posts Draft 2026 Compliance Supplement; Final Version Still Pending**

OMB has not issued the final 2026 Compliance Supplement that single auditors use to test federal award compliance. On Sept. 29 it released a draft for audit planning only, and the AICPA's Governmental Audit Quality Center reported Oct. 6 that the final remains under OMB review with no issuance timeline. Expected changes include testing Federal Funding Accountability and Transparency Act reporting for all applicable major programs, treating TANF and Child Care and Development Fund programs as higher risk, and replacing "matching" with "cost sharing."

Auditors cannot issue single audit reports for June 30, 2026, year-ends until the final supplement is out, though financial statement audits can proceed. No extension of the Federal Audit Clearinghouse deadline (March 31, 2027, for June 30 year-ends) has been announced, so nonprofits could face a compressed window once OMB acts.

Source: AICPA Governmental Audit Quality Center, Oct. 6, 2026 —

<https://www.aicpa-cima.com/resources/download/draft-omb-compliance-supplement-available-for-audit-planning>

Also: Keiter, Oct. 1, 2026 —

<https://keitercpa.com/blog/what-2026-compliance-supplement-delays-nonprofit-single-audits/>

● **Treasury Reportedly Weighs Audits Aimed at Prominent Progressive Nonprofits**

An Aug. 27 New York Post report described a Treasury plan to challenge the tax-exempt status of groups including Open Society Foundations, the Southern Poverty Law Center and CAIR, with possible penalties and back taxes. A 2025 executive order on “substantial illegal purpose” is cited as possible justification. No formal action has been announced. In a Sept. 2 letter, Senate Finance ranking member Ron Wyden and Sen. Raphael Warnock pressed Treasury and the IRS for any plans or criteria for selecting nonprofits and asked whether political viewpoint played a role.

Experts rank bank de-risking, donor chill and exam costs as bigger near-term threats than revocation.

Source: Cato Institute, Aug. 28, 2026 —

<https://www.cato.org/blog/ideologically-driven-plan-target-nonprofits>

Also: Senate Finance Committee, Sept. 2, 2026 —

<https://www.finance.senate.gov/imo/media/doc/09032026lettertobessentandbisignanoontargetingnonprofits.pdf>

● **Scholarship Tax-Credit Rules Issued; SGO Comments Due Dec. 1**

Temporary and proposed regulations published Oct. 2 implement the federal scholarship tax credit starting Jan. 1, 2027, worth up to \$1,700 per donor (\$3,400 joint). Scholarship granting organizations must spend at least 90% of income on scholarships, serve students from households at or below 300% of area median income, and obtain annual audits.

SGOs face tight state-listing deadlines and broad disqualified-person rules. Comments are due Dec. 1; a hearing follows Dec. 15.

Source: Dykema, Oct. 2, 2026 —

<https://www.dykema.com/news-insights/treasury-releases-section-25f-scholarship-tax-credit-regulations.html>

● IRS Guidance Plan Targets DAFs, the Johnson Amendment and Executive Pay

The 2026–2027 Priority Guidance Plan, released Sept. 29, calls for guidance on certain donor-advised fund arrangements with a new reporting component, on the Johnson Amendment's ban on campaign intervention, and regulations on the excise tax on pay above \$1 million, which now reaches more employees.

The plan sets no deadlines, but DAF sponsors, politically active charities and nonprofits with highly paid staff should watch closely; the DAF project now appears broader than last year's.

Source: ArentFox Schiff, Oct. 7, 2026 —

<https://www.afslaw.com/perspectives/alerts/irs-and-treasury-release-2026-2027-priority-guidance-plan-what-tax-exempt>

● New IRS Project Could Change How Fiscal Sponsorships Are Reported

A new item on the Treasury-IRS guidance plan calls for Section 6033 information-reporting guidance specifically covering fiscal sponsorship arrangements. Formal IRS guidance in this area has been limited.

RSM notes the project could clarify reporting expectations for both sponsoring organizations and the projects they host. Sponsors and sponsored projects should follow it closely, since its effect on how arrangements are structured and reported is not yet known.

Source: RSM US, Oct. 1, 2026 —

<https://rsmus.com/insights/tax-alerts/2026/treasury-irs-exempt-organization-guidance-priorities-fy-2027.html>

● House Tax Writers Ask IRS to Probe Nonprofits Fighting AI Data Centers

In a Sept. 22 letter, Ways and Means Chairman Jason Smith and China Select Committee Chairman John Moolenaar asked Treasury and the IRS to investigate whether nonprofits allegedly tied to a China-linked funding network violated their exempt status by campaigning against U.S. data center construction, and to examine their foreign funding.

The request signals that foreign funding behind advocacy campaigns could draw closer IRS scrutiny.

Source: House Ways and Means Committee, Sept. 23, 2026 —

<https://waysandmeans.house.gov/2026/09/23/chairmen-smith-moolenaar-demand-investigation-into-chinese-communist-party-linked-network-bankrolling-sabotage-of-american-ai-infrastructure/>

● Simpler Credit-Loss Standard Hits Calendar-2026 Statements; More FASB Proposals Coming

ASU 2025-05, effective for fiscal years beginning after Dec. 15, 2025, offers a practical expedient for estimating credit losses on short-term receivables such as grants, tuition and

patient accounts. FASB expects fourth-quarter exposure drafts on debt-default disclosures and digital assets.

Finance teams should settle the expedient and related policy election before year-end close. Nonprofits holding digital-asset gifts or debt with acceleration clauses should watch the coming proposals.

Source: CohnReznick, Sept. 21, 2026 —

<https://www.cohnreznick.com/insights/2026-fasb-update-not-for-profit-education/>

● **Treasury Plans Rules for Revised Tax on College Endowment Income**

The 2026–2027 guidance plan includes regulations under Section 4968, the excise tax on net investment income of certain private colleges and universities. The project appears among items implementing the 2025 One Big Beautiful Bill Act.

Affected private nonprofit colleges will need these rules to calculate, and plan for, their liability under the revised tax. Until regulations are issued, endowment and finance offices face uncertainty in computing the tax.

Source: IRS, 2026–2027 Priority Guidance Plan, Sept. 29, 2026 —

<https://www.irs.gov/pub/irs-counsel/2026-2027-initial-pgp.pdf>

● **IRS to Update Exempt-Organization Determination-Letter Procedures in January**

The guidance plan's appendix schedules January 2027 updates to the annual revenue procedures for letter rulings, determination letters and information letters, including determination letters from the Exempt Organizations Rulings and Agreements office. It also calls for revising Rev. Proc. 2026-08 for certain types of group exemption letters.

Organizations preparing exemption applications or group-exemption filings in early 2027 should review the new procedures before submitting.

Source: IRS, 2026–2027 Priority Guidance Plan, Sept. 29, 2026 —

<https://www.irs.gov/pub/irs-counsel/2026-2027-initial-pgp.pdf>

● **Public-Inspection Rules for Exempt Organizations Slated for Deregulatory Review**

Treasury and the IRS list regulations on where materials relating to tax-exempt organizations must be made available for public inspection among the plan's deregulation and burden-reduction projects.

Disclosure rules could change, but no draft or timetable has been released. Nonprofits should continue meeting current public-inspection obligations until new rules are issued.

Source: IRS, 2026–2027 Priority Guidance Plan, Sept. 29, 2026 —

<https://www.irs.gov/pub/irs-counsel/2026-2027-initial-pgp.pdf>

State Nonprofit News Developments

Executive Summary

State developments affect charity regulation, public-service funding and operations. Five states enacted nonprofit terrorist-designation laws, with a Florida designation action scheduled for November 5. November 3 tax measures could alter local revenue supporting nonprofit partners. States are handling higher SNAP administrative costs differently, while California has enacted changes affecting state tax exemptions and charity filings. New York contract-payment legislation remains pending. Colorado's AI hiring proposal has an October 26 comment deadline amid a court stay, and Minnesota's dissolution settlement underscores governance risks.

Key Actions for This Section

- Review applicable state restrictions and designation developments, including Florida's November 5 effective date.
- Assess potential local-service funding exposure associated with November 3 state tax ballot measures.
- Monitor state and county responses to increased SNAP administrative costs where programs operate.
- Review California exemption and Registry of Charities changes if registered or operating there.
- Track New York contract-payment legislation and payment schedules where state-funded programs are involved.
- Consider Colorado AI hiring rule comments before October 26 if affected; maintain governance and donation records.

Florida: Terror Designations of CAIR and 90-Plus Groups Take Effect Nov. 5

Florida's governor and Cabinet voted Sept. 29 to designate CAIR, the Muslim Brotherhood and antifa as domestic terrorist organizations and to add more than 90 federally designated foreign groups, effective Nov. 5. On Oct. 6, a federal judge declined CAIR's emergency request to block the move pending input from state officials.

Under HB 1471, knowingly providing material support to a designated group is a felony, and public support is barred.

Source: Modern Diplomacy, Oct. 5, 2026 —

<https://moderndiplomacy.eu/2026/10/05/florida-adds-cair-to-terrorism-list-renewing-first-america-ndment-fight>

Also: JNS, Oct. 6, 2026 —

<https://www.jns.org/news/u-s-news/judge-denies-cairs-emergency-bid-to-block-florida-terror-designation>

● Five States Enact Laws Letting Officials Label Nonprofits Terrorist Groups

Florida, Idaho, Indiana, Louisiana and Tennessee passed laws this year allowing state officials to investigate nonprofits and designate them terrorist organizations. Designated groups can lose, or face limits on, state funding, certifications and permits. Similar bills failed in Arizona, Maryland, Minnesota and Oklahoma.

The National Council of Nonprofits opposes targeting charities over their missions or the communities they serve and has released an October fact sheet.

Source: National Council of Nonprofits, Nonprofit Champion, Oct. 5, 2026 —
<https://www.councilofnonprofits.org/nonprofit-champion-october-5-2026>

● Nov. 3 Tax Measures Could Squeeze Public Funding Partners

Voters in several states will decide tax measures Nov. 3. They include a Florida amendment phasing out non-school property taxes, which state estimators project would cost about \$12 billion a year; property-tax limits in North Carolina and Oklahoma; and income-tax measures in California, Iowa, Massachusetts, North Carolina and Washington.

Nonprofits funded through government grants and contracts could feel the squeeze where revenue falls. ITEP warns one measure could force deep local-service cuts.

Source: Institute on Taxation and Economic Policy, Sept. 8, 2026 —
<https://itep.org/2026-state-tax-ballot-measures-to-watch/>

● States Split on Paying Larger SNAP Administrative Share

Since Oct. 1, states pay 75% of SNAP administrative costs, up from 50%. Ballotpedia counts 40 states that fully or partially funded the shift. Arkansas and New Hampshire added no money, New York and North Carolina passed the cost to counties, and four states have not acted.

Food providers and enrollment partners in states without new funding should watch how agencies absorb the cost. A benefit cost-share tied to error rates starts in fiscal 2028.

Source: Ballotpedia News, Oct. 1, 2026 —
<https://news.ballotpedia.org/2026/10/01/forty-states-have-appropriated-funds-for-new-snap-administrative-cost-share/>

● **California: State May Now Preserve Exemptions After Federal Revocation**

AB 2084, signed Sept. 30 and effective immediately as urgency legislation, lets the Franchise Tax Board keep a nonprofit's state tax exemption after the IRS revokes or suspends federal status; previously, state exemption ended automatically. The option is unavailable when the federal action involves fraud, diverted funds, missed filings or governance breaches.

Relief is discretionary, not guaranteed, and how the FTB will apply it remains unclear.

Source: FPLG, Oct. 7, 2026 —

<https://www.fplglaw.com/insights/blunting-fed-threats-to-charitable-sector-new-ca-law/>

● **New York: Nonprofits Still Waiting on Hochul's Decision on Contract Payment Reform**

Two bills passed in June, S.9761/A.10741 and S.9855A/A.11179, still awaited Gov. Hochul's action, with none reported as of Oct. 14. They would require written payment schedules, widen access to the state's short-term revolving loan fund and require 25% advances within 30 days of contract execution, but only after contracts are fully executed, providers vetted and funds appropriated. Sponsors dropped mandatory interest payments to address the cost concerns Hochul cited when she vetoed similar legislation in December 2025.

In New York City, about 40% of last fiscal year's \$11.4 billion in human services contract funds arrived late. Payment delays force providers to borrow to cover payroll.

Source: New York State Senate, June 26, 2026 —

<https://www.nysenate.gov/newsroom/articles/2026/shelley-b-mayer/westchester-legislators-and-nonprofits-urge-hochul-sign>

Also: Nonprofit Westchester, Nonprofit Contracting —

<https://npwestchester.org/nonprofit-contracting>

Also: City & State New York, Sept. 28, 2026 —

<https://www.cityandstateny.com/nyn-media/2026/09/restler-joins-neverending-war-against-late-nonprofit-payments/416276/>

● **Colorado: AI Hiring Rule Comments Due Oct. 26 as Court Stay Holds**

The Colorado Attorney General's proposed rules under the Automated Decision-Making Technology Act, which reaches employers using AI tools in hiring, are open for comment until Oct. 26. The law takes effect Jan. 1, 2027, but a federal court has stayed enforcement pending a ruling in xAI v. Weiser.

Covered nonprofits would owe applicants advance notice, explanations after adverse decisions and human review on request.

Source: Gibson Dunn, Oct. 2026 —

<https://www.gibsondunn.com/artificial-intelligence-in-employment-newsletter-october-2026/>

● **Wyoming: Proposition 1 Would Halve Homeowners' Taxable Value**

Proposition 1 on Wyoming's Nov. 3 ballot would exempt half of a qualifying primary residence's assessed value from property tax. The Department of Revenue projects about \$125 million in lost first-year revenue, borne by counties, towns, school districts and special districts rather than the state.

With 21 of 23 counties already at maximum mill levies, opponents warn of cuts to schools, law enforcement and other local services.

Source: Buckrail, Oct. 6, 2026 —

<https://buckrail.com/explainer-whats-prop-1-and-how-does-it-affect-wyoming-and-teton-county/>

● **California: AB 2221 Overhauls Registry of Charities Processing**

AB 2221 requires the Attorney General's Registry of Charities and Fundraisers to process new and delinquent filings within 15 calendar days, versus averages of 45 to 90 days now. Charities get four months to fix clerical errors before losing good standing, and the Registry must offer online filing with automatic approvals.

Good standing is needed for state funding and fundraising, so faster processing should mean fewer disruptions. An effective date was not specified.

Source: CalNonprofits, Sept. 28, 2026 — <https://calnonprofits.org/ab2221-is-law/>

● **Multistate: Model Bill Would Let Donors Sue to Enforce Endowment Gifts**

The Safeguarding Endowment Gifts Act, a model law backed by the Philanthropy Roundtable, lets donors or their legal representatives sue over endowment agreements. In most states, only attorneys general can enforce these agreements. Versions have passed in Kansas, Georgia, Kentucky and Montana since 2023, and an Oklahoma Senate committee held a hearing in October. The model requires 90 days of informal resolution before a suit and limits remedies to uses consistent with the charity's mission; funds cannot return to the donor.

Critics, including the Kansas State University Foundation's president, question whether the problem is widespread and warn of confusion and added costs.

Source: The Chronicle of Philanthropy, Oct. 13, 2026 —

<https://www.philanthropy.com/news/new-legislation-would-strengthen-donor-standing-in-gift-disputes-does-it-go-too-far/>

● **Minnesota: Attorney General Dissolves Vehicle-Donation Charity, Bars Its President**

An Oct. 7 agreement filed by Attorney General Keith Ellison requires Auto Tech Donations to dissolve, permanently bars its president from nonprofit leadership and orders restitution for donated vehicles he resold for personal gain. The AG cited noncompliant solicitations, misleading website claims, no functioning board and poor records.

Governance and recordkeeping lapses can end an organization.

Source: Minnesota Attorney General, Oct. 7, 2026 —

https://www.ag.state.mn.us/Office/Communications/2026/10/07_Auto-Tech-Donations.asp

● **Rhode Island: Redesigned Benefit Notices Roll Out**

Since mid-September, Rhode Island has been sending redesigned decision notices for Medicaid, SNAP, RI Works and child care assistance, about 60,000 a month. They explain decisions more clearly, separate health coverage from other programs and add Spanish and Portuguese terms.

The state hopes to cut call-center inquiries, but Rhode Island Legal Services says it is too early to judge the effect on clients nonprofits serve.

Source: Rhode Island Current, Sept. 22, 2026 —

<https://rhodeislandcurrent.com/2026/09/22/a-tale-of-two-notices-rhode-island-redesigns-public-benefit-letters-to-make-decisions-clearer/>

Summary

This issue highlights several closely spaced nonprofit deadlines and unresolved policy decisions. Federal appropriations and proposed grant-rule changes remain unsettled as December 11 approaches, while Education Department drawdown descriptions begin November 1. Organizations working with Medicaid populations, Census-linked funding or voter engagement face additional regulatory and litigation developments. Employers must prepare the 2027 Social Security wage cap, review changes for federal contractors and track employment and immigration proposals that are not yet final. Finance teams should prioritize the November 16 extended Form 990 deadline, revised 2026 giving and 1099 reporting rules, and the delay in the final 2026 Compliance Supplement. State developments range from nonprofit designation and tax ballot measures to SNAP financing, charity registration, contract payment reform and AI-related hiring rules. Across all four sections, the immediate focus is on applicable deadlines, documentation and monitoring pending government action.

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