

Patterson Policy Watch – A Resource for the Nonprofit Sector

Welcome to the *Patterson Policy Watch*, which tracks key legal and policy developments that matter to the nonprofit sector. In response to the rapidly evolving landscape under the new presidential administration, Patterson Belknap's Tax-Exempt Organizations Group is highlighting executive actions, agency directives, legislative updates, and judicial responses that have the potential to impact nonprofit organizations and the communities they serve.

Below is a digest of select developments from the past week through March 16, 2026, which are organized broadly by issue area. We note that this is not a comprehensive list of all updates that may potentially be relevant to tax-exempt organizations. We will continue to provide regular updates to the *Patterson Policy Watch* to help you anticipate and navigate policy and legal developments. You can also view prior editions of the *Patterson Policy Watch* [here](#).

Federal Government/Administrative Procedure

- March 13: The Internal Revenue Service (IRS) [issued](#) a press release stating that Treasury Secretary Scott Bessent's service as the Acting Commissioner of the IRS has expired under the Federal Vacancies Reform Act (the "Act"). Under the Act, a person serving as the Acting IRS Commissioner cannot serve in that role for more than 210 days. The IRS Commissioner position is vacant until a new individual is appointed by the President and confirmed by the Senate. The IRS's press release states that Secretary Bessent, as Secretary of the Treasury, will "retain[] the authority and responsibility to perform the functions and duties of vacant Treasury offices that are not filled on an acting basis," which includes the IRS Commissioner position. The press release also states that "the IRS continues to operate without interruption, with [IRS] Chief Executive Officer Frank J. Bisignano successfully leading day-to-day operations and reporting directly to [Secretary Bessent]."

Foreign Affairs

- March 12: The Department of Treasury's Office of Foreign Assets Control (OFAC) [announced](#) that it "is designating four sham charities that directly fund Hamas's Military Wing and . . . enable the group to sustain its terrorist operations." Three Turkey-based nonprofit organizations, Ghazi Destek Dernegi, Hayat Yolu, and the Palestinian White Hands Assistance and Solidarity Association, and one Indonesia-based nonprofit organization, Komite Nasional untuk Rakyat Palestina, are being designated "for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, Hamas." Under OFAC's regulations, the assets of the four organizations are blocked, and, except under certain circumstances, any transactions between the designated organizations and U.S. persons are prohibited. OFAC's press release states that the action against these four organizations "builds on multiple previous OFAC actions against Hamas' global network of sham charities, most recently on [January 21, 2026](#) and [June 10, 2025](#)," as covered in the [January 27, 2026](#) and [June 17, 2025](#) issues of the *Patterson Policy Watch*, respectively.

Judicial Watch

As legal challenges to executive actions continue to grow, and as the Department of Justice (DOJ) has begun to initiate actions in court to enforce the administration's priorities, we are tracking developments in key cases that have the potential to most directly impact nonprofit organizations across the sector.

Denial of Congressionally Appropriated Funds

A growing number of nonprofit grantees have sued the federal government (and their agents) for improperly withholding Congressionally appropriated funds. Updates in cases we are following in this area include:

- *State of Washington v. United States Department of Housing and Urban Development* (District of Rhode Island): On November 25, 2025, 21 states [sued](#) the United States Department of Housing and Urban Development (HUD) regarding the new conditions it announced for grants under the Continuum of Care (CoC) Program, which provides federal funding to nonprofit organizations and state and local governments to provide housing and services for individuals experiencing homelessness. The new conditions include, among others: (1) reducing the percentage of CoC funding for permanent housing from 90 percent to 30 percent; (2) prohibiting CoC funding to applicants that acknowledge transgender and gender diverse individuals; and (3) requiring funding recipients to align with the policies set forth in the July 24, 2025 executive order, entitled "[Ending Crime and Disorder on America's Streets](#)," which requires HUD to prioritize grants to states and localities that enforce prohibitions on illicit drug use, urban camping and loitering, and urban squatting. This executive order was covered in the [July 29, 2025 issue](#) of the *Patterson Policy Watch*. Plaintiffs argue that HUD's new conditions on federal funding violate the Administrative Procedure Act, separation-of-powers principles, the Spending Clause, and the Tenth Amendment. Plaintiffs additionally [filed](#) a motion for a preliminary injunction, requesting that the District Court enjoin the new grant conditions and reinstate the previous grant conditions; the Court converted the motion into a motion for temporary restraining order and a preliminary injunction. Similarly, on December 1, 2025, in *National Alliance to End Homelessness v. United States Department of Housing and Urban Development* (District of Rhode Island), Plaintiffs, nonprofit organizations and several local municipalities, [sued](#) HUD, challenging the same conditions as *State of Washington v. U.S. Department of Housing and Urban Development*.
 - On December 23, 2025, the District Court in both cases [granted](#) Plaintiffs' [requests](#) for a preliminary injunction, ordering that HUD's rescission of the 2024 and 2025 funding conditions is stayed and that HUD is preliminarily enjoined from replacing the 2024 and 2025 funding conditions.
 - On January 14, both Plaintiffs [filed](#) motions for summary judgment, requesting that the District Court (1) vacate and set aside the 2024 and 2025 funding conditions, meaning that the 2024 and 2025 funding conditions would be nullified and have no legal force, and (2) enjoin Defendants from implementing or enforcing the 2024 and 2025 funding conditions.
 - On January 23, Defendants in both related cases [filed](#) a [cross-motion](#) for summary judgment and opposition to Plaintiffs' motions for summary judgment, arguing that HUD has statutory discretion in how it administers the CoC Program and that the new conditions on CoC funding are within HUD's statutory discretion.
 - On February 17, Defendants in both related cases [filed](#) an [expedited request](#) to dissolve the District Court's preliminary injunction, arguing that the preliminary injunction "will not preserve the status quo pending the outcome of this litigation but will instead effectively dictate the final disposition of billions of FY 2025 dollars." Defendants argue that the preliminary injunction needs to be dissolved or, in the alternative, that the District Court must rule on the pending motions for summary judgment because, under the 2026 Consolidated Appropriations Act (CAA), if HUD does not award fiscal year 2025 funds to CoC projects under a Notice of Funding Opportunity before July 1, 2026, those projects will receive renewed funding.

- On February 27, the District Court issued a text order, which is an order issued by a court directly onto a case's docket rather than as a separate document, in both cases to deny the Defendants' request to dissolve the preliminary injunction, finding that Plaintiffs continue to face the risk of irreparable harm from gaps that Defendants would cause by changing the funding selection criteria on an expedited basis and from trying to reimplement the Notice of Funding Opportunity for December 2025, which the Court had already found Plaintiffs had a strong likelihood of showing was illegal.
- On March 2, Defendants in both related cases filed a notice of appeal with the First Circuit Court of Appeals and filed an emergency motion to stay the preliminary injunction issued by the District Court while Defendants appeal the injunction in the First Circuit.
- On March 6, the District Court issued a text order, which is an order issued by a court directly onto a case's docket rather than as a separate document, to deny Defendants' requests for an emergency stay, noting that Defendants had failed to appeal the preliminary injunction itself and finding that Plaintiffs would be substantially injured by staying the case and subjecting them to the harms caused by Defendants trying to implement the 2025 funding criteria.
- On **March 9**, Defendants filed a motion for an emergency stay of the preliminary injunction in the First Circuit, in which Defendants request that the First Circuit grant a stay of the District Court's preliminary injunction pending appeal no later than March 30, 2026.

Public Service Loan Forgiveness Litigation

On October 31, 2025, the Department of Education (ED) promulgated a Final Rule that amends the Public Service Loan Forgiveness (PSLF) Program regulations to redefine a "qualifying employer" whose employees can participate in the PSLF Program to exclude organizations that have a "substantial illegal purpose," such as aiding and abetting violations of federal immigration laws, supporting terrorism or engaging in violence for the purpose of obstructing or influencing federal government policy, engaging in the illegal chemical or surgical castration or mutilation of children, and engaging in a pattern of aiding and abetting illegal discrimination, among others. The Final Rule was issued pursuant to the March 7, 2025 executive order, entitled "Restoring Public Service Loan Forgiveness." A number of nonprofits and state and local jurisdictions have sued the ED seeking to prevent this Final Rule from going into effect on July 1, 2026. Cases we are following on this issue include:

- *Robert F. Kennedy Center for Justice and Human Rights v. McMahon* (District of Columbia): On November 4, 2025, four nonprofit organizations sued the ED to challenge the Final Rule as violating the Administrative Procedure Act because it is contrary to the Higher Education Act, is in excess of the authority provided under the Higher Education Act, is arbitrary and capricious, and violates the Due Process Clause of the Constitution as well as the First Amendment's protection of Free Speech.
 - On February 9, Plaintiffs filed a motion for summary judgment, requesting that the District Court declare that the Final Rule violates the Administrative Procedure Act and that the District Court vacate the Final Rule, meaning that the Final Rule would be void.
 - On **March 9**, Defendants filed an opposition to Plaintiffs' motion for summary judgment and also filed a cross-motion to dismiss Plaintiffs' complaint, or in the alternative a motion for summary judgment. Defendants argue that Plaintiffs lack standing to bring their claims and that their claims are not ripe because the Final Rule has not yet gone into effect. Defendants also argue that Plaintiffs' claims fail on the merits because Defendants acted pursuant to their authority to promulgate the Final Rule and their enforcement of the Final Rule will not violate Plaintiffs' constitutional rights.

Patterson Belknap is a firm of approximately 200 lawyers based in New York, delivering a full range of services centered around three areas: litigation and disputes, corporate and transactions, and the legal needs of tax-exempt organizations and private clients.

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