



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 April 20, 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](#).

DEI

- April 16: The Department of Justice (DOJ) [announced](#) the completion of its compliance review under Title VI of the Civil Rights Act of 1964 of the Illinois Student Assistance Commission (ISAC), which is a state agency that receives federal financial assistance and provides information and assistance to Illinois students to make education after high school accessible and affordable. Title VI prohibits discrimination on the basis of race, color, or national origin by recipients of federal financial assistance. The DOJ opened its Title VI review because ISAC's Community Behavioral Health Care Professional Loan Repayment Program included a requirement that ISAC set aside at least 30% of its funding for applicants identifying as "African American or Black, Hispanic or Latinx, Asian, or Native American origin." After the DOJ opened its review, ISAC removed these criteria from the Community Behavioral Health Care Professional Loan Repayment Program and other programs that ISAC administers.

Education

- April 20: The Department of Education (ED) [issued](#) a Notice of Proposed Rulemaking to establish a new accountability framework for postsecondary education programs based on graduates' earnings. The proposed rule would implement provisions of the One Big Beautiful Bill Act (OBBA) and existing departmental authorities by requiring an institution of higher education to demonstrate that graduates of its undergraduate program earn as much as a high school graduate in order for the undergraduate program to remain eligible to participate in federal student loan programs. Similarly, institutions of higher education would have to demonstrate that graduates of its graduate programs earn above the earnings of an average bachelor's degree holder in order for the graduate program to remain eligible to participate in federal student loan programs. The proposed rule is open for public comment for 30 days.

Other

- April 14: Democrat members of the House Ways and Means Committee [sent](#) a letter to Internal Revenue Service (IRS) CEO Frank Bisignano voicing concerns that "the [Trump] Administration has weaponized the [IRS] by targeting tax-exempt organizations and their donors based on their political beliefs and constitutionally protected advocacy." The letter describes reports that the IRS Criminal Investigation division has partnered with the Federal Bureau of Investigation (FBI) to investigate nonprofits over suspected links to domestic terrorism and concludes by requesting responses to several questions by April 29.
- April 17: The IRS [issued](#) a [Whistleblower Alert](#) "highlighting an area of concern about misuse, diversion or fraudulent use of federal funds by tax-exempt organizations, individuals and businesses," urging the public to provide information, and the Department of the Treasury began to list "Whistleblower Resources" on its website earlier this month. The IRS Whistleblower Program offers monetary awards of up to 30% of proceeds collected based on whistleblower-provided information.

Judicial Watch

As legal challenges to executive actions continue to grow, and as the 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.

Ban on DEI Initiatives in the Executive Branch and by Federal Contractors

President Trump issued two significant diversity, equity, and inclusion (DEI)-related executive orders (the "DEI Executive Orders") in January 2025, Executive Order 14151 ("[Ending Radical and Wasteful Government DEI Programs and Preferencing](#)"), which orders the termination of DEI programs, offices, and positions as well as "equity-related" grants and contracts, and Executive Order 14173 ("[Ending Illegal Discrimination and Restoring Merit-Based Opportunity](#)"), which requires federal grant recipients and contractors to certify that they do not operate DEI programs that violate anti-discrimination laws. Updates in cases we are following that challenge these DEI Executive Orders include:

- *Rhode Island Coalition Against Domestic Violence v. Blanche* (District of Rhode Island): On June 16, 2025, a coalition of organizations serving domestic violence victims [filed](#) a lawsuit challenging the government's requirement that they certify compliance with the DEI Executive Orders as a condition of receiving federal grants. They contend that the certification requirement violates the Administrative Procedure Act and the Constitution.
 - On August 8, 2025, the District Court [granted](#) a preliminary injunction barring the government from enforcing the new grant conditions as to the nonprofit Plaintiffs for all fiscal year 2025 grants.
 - On November 19, 2025, the nonprofit Plaintiffs [filed](#) a motion for partial summary judgment, seeking to vacate the funding conditions and compliance certifications as illegal, to permanently enjoin Defendants from enforcing compliance certifications against entities that may have already completed them, and to permanently enjoin Defendants from imposing the requirements via new agency action.
 - On February 20, Plaintiffs [filed](#) a motion for a temporary restraining order.
 - On February 25, the District Court [issued](#) a text order to convert the motion for a temporary restraining order into a motion for a preliminary injunction. Plaintiffs seek to set aside the grant conditions imposed on new grants made by the DOJ's Office of Justice Programs and enjoin Defendants from enforcing these conditions. These grant conditions require grant recipients to "ensure that no funds provided under this award (or any subaward, at any tier) will be used to provide benefits or services to any removable alien . . . or any alien otherwise unlawfully present in the United States"

and require grant recipients to certify that they do "not operate any programs (including any such programs having components relating to diversity, equity, and inclusion) that violate any applicable Federal civil rights or nondiscrimination laws."

- On **April 17**, the District Court [granted](#) Plaintiffs' motion for a preliminary injunction, finding that Plaintiffs had standing to challenge the grant requirements, and that Plaintiffs are likely to succeed on the merits. The District Court held that Defendants' actions were arbitrary and capricious, as they could not offer an explanation for the grant requirements, which shows that their decision making was unreasoned. Additionally, the District Court found that Plaintiffs faced irreparable harm should they be forced to comply with the grant requirements.

Legislative Watch

- On April 15, [S.4297](#), "Keep Public Funds in Public Schools Act," was introduced in the Senate by Senator Mark Kelly (D-AZ). The bill would amend the Internal Revenue Code to repeal the new tax credit for contributions of individuals to scholarship granting organizations (SGOs) established under the OBBB. The tax credit, which was covered in our [July 24, 2025 client alert](#) and in the [December 16, 2025 issue](#) of the *Patterson Policy Watch*, permits individual taxpayers, beginning in 2027, to claim a dollar-for-dollar tax credit worth up to \$1,700 per year per taxpayer for cash donations to SGOs.

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.

[Unsubscribe](#) | [Update my email preferences](#) | [Follow us on LinkedIn](#)

This alert is for general informational purposes only and should not be construed as specific legal advice. If you would like more information about this alert, please contact one of the following attorneys or call your regular Patterson contact.

Laura E. Butzel	212.336.2970	lebutzel@pbwt.com
Robin Krause	212.336.2125	rkrause@pbwt.com
John Sare	212.336.2760	jsare@pbwt.com
Susan M. Vignola	212.336.2256	svignola@pbwt.com
Justin S. Zaremby	212.336.2194	jszaremby@pbwt.com
Tiffany N. Tam	212.336.2520	ttam@pbwt.com
Peter B. Franklin	212.336.2978	pfranklin@pbwt.com
Jack McGlone	212.336.2974	jmcglone@pbwt.com
Colleen O'Leary	212.336.2516	coleary@pbwt.com

To subscribe to any of our publications, call us at 212.336.2813, email info@pbwt.com, or sign up on our website, <https://www.pbwt.com/subscribe/>.

1133 Avenue of the Americas New York, NY 10036-6710 212.336.2000 www.pbwt.com

Copyright © 2026 Patterson Belknap Webb & Tyler LLP. All rights reserved.

This publication may constitute attorney advertising in some jurisdictions. Prior results do not guarantee a similar outcome.