



## 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 6, 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](#).

### Education

- April 3: President Trump [signed](#) an executive order, entitled "Urgent National Action to Save College Sports," which establishes new federal requirements for institutions of higher education that participate in intercollegiate athletics. The order prohibits the use of federal funds for Name, Image, and Likeness (NIL) payments, revenue sharing with student-athletes, and the compensation of athletic coaches and management. It further directs federal agencies to evaluate an institution's compliance with national athletic governing body rules, specifically regarding eligibility limits, transfers, and revenue sharing, when determining its "present responsibility" for receiving federal grants and contracts. Additionally, the Attorney General is directed to take legal action to invalidate state laws that conflict with these governing body rules. The new requirements become effective on August 1, 2026.

### Federal Government/Administrative Procedure

- April 3: President Trump [released](#) his fiscal year 2027 budget proposal, which includes a \$1.4 billion reduction in annual funding for the Internal Revenue Service (IRS). The proposal requests a total of \$9.8 billion for the IRS, a decrease from the \$11.2 billion appropriated for fiscal year 2026 under the Consolidated Appropriations Act, 2026. The fiscal year 2027 proposed budget for the IRS allocates \$3.13 billion for taxpayer services, representing a slight increase over the fiscal year 2026 amount of \$3.04 billion, while reducing funding for enforcement to \$4.1 billion and technology and operations support to \$2.6 billion.

### Other

- March 31: The U.S. District Court for the Eastern District of Texas [dismissed](#) *National Religious Broadcasters v. Bessent (NRB)* for lack of subject matter jurisdiction, finding that the court was barred from ruling on the parties' [proposed consent decree](#) by the Tax Anti-Injunction Act and Declaratory Judgment Act, both of which limit a federal court's jurisdiction over certain tax controversies. As covered in the [November 25, 2025 issue](#) of the *Patterson Policy Watch*, the parties' settlement, had it been approved, would have interpreted the Johnson Amendment — Section 501(c)(3)'s prohibition on political campaign activity — as not applying to "communications from a house of worship to its congregation in connection with religious services through its usual channels of communication on matters of faith." *The New York Times* [reported](#) that Plaintiffs intend to appeal the decision to the Fifth Circuit Court of Appeals.
  - April 3: The Treasury Department (Treasury) and IRS [issued](#) a joint press release, announcing "plans to develop and issue additional guidance on the application of the Johnson Amendment to religious organizations." The press release states that, in response to *NRB*, ongoing public interest, and the need for more clarity, Treasury and the IRS will issue guidance later this year that "will provide clear, administrable standards for houses of worship, including how the law applies to certain communications made within the context of religious services."

### 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:

- *National Public Radio, et al. v. Trump* (District of Columbia) and *Public Broadcasting Service, et al. v. Trump* (District of Columbia): On May 27, 2025, National Public Radio (NPR) and several local NPR affiliates [challenged](#) the suspension of federal grants to NPR. They allege that the suspension of the grants violates the Administrative Procedure Act and Constitutional separation-of-powers principles and constitutes unconstitutional retaliation for disfavored speech in violation of the First Amendment. On May 30, 2025, the Public Broadcasting Service (PBS) and one of its local affiliates [filed](#) a lawsuit raising similar claims.
  - On October 24, 2025, Plaintiff NPR and Defendant Corporation of Public Broadcasting (CPB) filed motions for summary judgment, respectively. In its motion for preliminary injunction and summary judgment, NPR [sought](#) to permanently enjoin CPB from distributing federally allocated funding to entities other than NPR and require CPB to provide NPR with said funding. In its motion for summary judgment, CPB [requested](#) that the District Court should rule in favor of its motion for summary judgment because CPB was legally justified in withholding funding from NPR.
  - On February 20, the District Court [issued](#) a minute order to consolidate *National Public Radio v. Trump* and *Public Broadcasting Service v. Trump* due to the "identical legal issues presented by the pending summary judgment motions" and the lack of objection to consolidation of the parties in both cases.
  - On **March 31**, the District Court [granted](#) Plaintiffs' motion for summary judgment. The District Court found that the suspension of federal grants to NPR and PBS violates the First Amendment as it singles out two speakers on the basis of their content and prevents them from receiving all federal funding. The District Court preliminarily enjoined Defendants from enforcing or implementing the funding prohibitions against NPR and PBS.
- *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.
- On **April 2**, the First Circuit Court of Appeals [issued](#) an opinion denying HUD's request for an emergency stay of the preliminary injunction. The First Circuit determined that Defendants could not show that the District Court abused its discretion by declining to dissolve the preliminary injunction and that Plaintiffs continue to face the threat of irreparable harm related to potential loss of funding.

#### **Ban on DEIA 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 and directs each executive agency to identify up to nine corporations and certain nonprofit entities and associations to target with civil investigations in order to deter DEI programs. Updates in cases we are following in this area include:

- [National Alliance to End Homelessness v. Turner](#) (District of Rhode Island): On September 11, 2025, nonprofit organizations working to end homelessness and provide affordable housing [filed](#) a lawsuit challenging the government's requirement that funding will only be rewarded for projects in jurisdictions aligned with the Trump administration's social policy views and to applicants willing to commit to those views. The Plaintiffs argue that "new criteria" set by the government violates the Administrative Procedure Act and the Constitution.
  - On September 12, 2025, the District Court [granted](#) the nonprofit Plaintiffs' motion for a temporary restraining order, which enjoins the government from awarding grant funds under the specific housing funding opportunity in question using the "new criteria."
  - On November 13, 2025, Plaintiffs [filed](#) a motion for summary judgment, requesting that the District Court: vacate and declare unlawful the government's funding requirements; permanently enjoin Defendants from implementing the allegedly unlawful criteria for funding or any substantially similar criteria; and compel Defendants to promptly provide the awarded funding.
  - On December 4, 2025, Defendants [cross-filed](#) for summary judgment, arguing that Plaintiffs have failed to show that the government's funding criteria have violated the law.
  - On **March 31**, the District Court [granted in part and denied in part](#) Plaintiffs' motion for summary judgment, finding that Defendants' actions violated the Administrative Procedure Act. The District Court vacated and set aside the government funding requirements but denied Plaintiffs' request for a permanent injunction.

## Legislative Watch

March 30: Representative Keith Self (R-TX) [introduced H.R.8166](#), the "Guarding U.S. Associations from Rogue Donations

Act" (GUARD Act) in the House of Representatives. The GUARD Act would amend the Internal Revenue Code of 1986, as amended (the Code), to revoke the tax-exempt status for organizations described under Sections 501(c)(3) and 501(c)(4) of the Code if such organizations receive any contribution or gift from an individual who is a citizen or national of a "foreign adversary." The bill defines "foreign adversaries" to include the People's Republic of China, Cuba, Iran, North Korea, and Russia, and allows the Secretary of the Treasury, in consultation with the Secretary of State, to designate additional countries as foreign adversaries when it is in the national security interest of the United States.

**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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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	jmclone@pbwt.com
Colleen O'Leary	212.336.2516	coleary@pbwt.com

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1133 Avenue of the Americas New York, NY 10036-6710 212.336.2000 [www.pbwt.com](http://www.pbwt.com)

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