Patterson Belknap

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 July 27, 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

- July 20: The Department of Justice (DOJ) announced that the University of California San Diego School of Medicine (UC San Diego Med) used race in its admissions process, in violation of Title VI of the Civil Rights Act of 1964 (Title VI), as interpreted by the Supreme Court's decision in *Students for Fair Admissions, Inc. v. President & Fellows of Harvard College*, 600 U.S. 181 (2023) (the *Harvard* decision). Title VI prohibits discrimination on the basis of race, color, or national origin in any program or activity receiving federal financial aid. The *Harvard* decision prohibits the use of race in higher education admissions decisions and was covered in our firm's July 5, 2023 client alert. According to the DOJ's findings letter, "UC San Diego Med has used race and racial proxies in its admissions practices and has manipulated applicant data to achieve greater racial diversity in its admitted classes," including the use of "purportedly race-neutral subjective criteria of 'hardship' to increase the admission of [underrepresented minority in medicine]," in violation of Title VI and the *Harvard* decision.
    - As covered in the June 9, 2026 issue of the *Patterson Policy Watch*, the DOJ announced on June 4 that it was expanding its investigations into potential race discrimination in medical school admissions. The DOJ has also recently announced its findings that the University of California at Los Angeles and Yale University each intentionally discriminated against applicants based on their race in medical school admissions, as covered in the May 12, 2026 and May 19, 2026 issues of the *Patterson Policy Watch*, respectively.
- July 22: The Department of Education (ED), in partnership with the DOJ and Department of Health and Human Services (HHS), launched Title VI investigations into five additional medical schools for alleged racial discrimination in admissions. The ED is investigating Dartmouth College Geisel School of Medicine, East Carolina University Brody School of Medicine, St. Louis University School of Medicine, Western University of Health Sciences, and William Carey University College of Osteopathic Medicine. The ED's press release notes that these investigations aim "to advance President Trump's mission to eliminate racial discrimination in medical school admissions processes across the country."
- July 23: The ED announced a final rule to amend its regulations that implement Title VI of the Civil Rights Act of 1964. The ED's final rule rescinds disparate-impact liability from its regulations to implement the April 23, 2025 executive order, entitled "Restoring Equality of Opportunity and Meritocracy," which was covered in the April 29, 2025 issue of the *Patterson Policy Watch*. According to the ED's press release, under the ED's previous regulations, the disparate-impact provisions of the ED's regulations had allowed "demographic data alone to establish that a school violated federal civil rights laws, even if there was no facially discriminatory policy, practice, or discriminatory intent involved." Under the amended regulations, federal civil rights enforcement will focus strictly on intentional discrimination rather than statistical demographic disparities alone.
    - The ED's amendment of its regulations to remove disparate-impact liability follows similar regulatory changes by the DOJ, which were covered in the December 16, 2025 issue of the *Patterson Policy Watch*.

Other

- July 21: Democratic members of the Senate Committee on Finance sent a letter to Heather Hill, Acting Inspector General of the Treasury Inspector General for Tax Administration (TIGTA), a governmental body tasked with overseeing the Internal Revenue Service (IRS), regarding reporting that Kenneth Kies, Acting Chief Counsel of the IRS and Assistant Secretary of the Department of the Treasury (Treasury) for Tax Policy, "was forced out of his posts… after clashing with political officials over a White House request that may have violated [Section] 7217 of the Internal Revenue Code." Section 7217 prohibits certain members of the federal executive branch from requesting, directly or indirectly, that the IRS "conduct or terminate an audit or other investigation of any particular taxpayer with respect to the tax liability of such taxpayer." The letter requests that TIGTA conduct a full investigation into the circumstances surrounding Mr. Kies' departure from the IRS and Treasury, and that Acting Inspector General Hill respond to a number of questions by July 29, 2026.

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 Recipients of Federal Funding

President Trump issued several significant diversity, equity, and inclusion (DEI)-related executive orders (the DEI Executive Orders), including: (1) the January 20, 2025 executive order, entitled "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; (2) the January 21, 2025 executive order, entitled "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; (3) the January 20, 2025 executive order, entitled "Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government," which prohibits federals funds from being used to promote "gender ideology"; and (4) the March 26, 2026 executive order, entitled "Addressing DEI Discrimination by Federal Contractors," which requires all federal agencies to include certain provisions in contracts, including the requirement that federal contractors and subcontractors agree that they will not engage in any "racially discriminatory DEI activities." Updates in cases we are following in this area include:

- *Maryland v. Hegseth* (District of Maryland): On June 10, 2026, 19 states and the District of Columbia sued the Government, challenging the March 26, 2026 executive order, entitled "Addressing DEI Discrimination by Federal Contractors." This executive order, which was covered in the March 31, 2026 issue of the *Patterson Policy Watch*, requires federal agencies to include certain provisions in their contracts, including the requirement that federal contractors and subcontractors agree that they will not engage in "racially discriminatory DEI activities" (the "New Provision"). Plaintiffs allege that the executive order is vague and does not actually explain what sort of activities are prohibited by the New Provision. Despite this, federal agencies have begun incorporating the New Provision into new and existing contracts. Plaintiffs also allege that the federal agencies that have included the New Provision in their contracts with contractors and subcontractors are acting unlawfully and in excess of their authority and that the actions taken by the agencies are arbitrary and capricious, in violation of the Administrative Procedure Act. Plaintiffs request that the District Court vacate Defendants' inclusion of the New Provision in federal contracts, declare that the New Provision is unlawful, and preliminarily and permanently enjoin Defendants from incorporating the New Provision into federal contracts.

- On **July 21**, Plaintiffs filed a motion for summary judgment, arguing that the executive order's required contract terms, including the New Provision, should be vacated, or set aside, and federal agencies' implementation of the New Provision should be enjoined. Plaintiffs note that, should the executive order be allowed to go into effect, it may result in Plaintiffs losing existing contracts or missing out on future contracting opportunities and potential retaliatory actions from the federal government for failing to comply.

Legislative Watch

- On July 22, the "Fiscal Sponsorship Transparency Act of 2026" (H.R. 9721), the "Fair Treatment of Religious Organizations Act of 2026" (H.R. 9722), the "Stopping Foreign Influence in Elections Act of 2026" (H.R. 9771), and the "Foreign Funding Transparency Act" (H.R. 9772)—all of which were covered in the July 21, 2026 issue of the *Patterson Policy Watch*—were advanced by the House Committee on Ways and Means and ordered to be reported to the House of Representatives. The bills have not yet been scheduled for full House consideration.
    - On July 23, S.5083, a companion bill to H.R. 9721, the "Fiscal Sponsorship Transparency Act of 2026," was introduced in the Senate by Senator Tom Cotton (R-AR). Like H.R. 9721, the bill would amend the Internal Revenue Code to require reporting on "fiscal sponsorship arrangements" for certain charitable organizations. For more information about H.R. 9721, see the July 21, 2026 issue of the *Patterson Policy Watch.*

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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