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 August 31, 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/Anti-Discrimination

- August 27: The Department of Justice (DOJ) announced its finding that the George Washington University School of Medicine and Health Services (GW Med) intentionally discriminated on the basis of race in granting and denying admission to its 2024 and 2025 incoming classes, 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, after the *Harvard* decision, George Washington University issued university-wide admissions guidance providing that no preference or favorable assessment could be given based on racial or ethnic identity "that is self-reported and collected on the check-box data sections" of application forms. The DOJ found that GW Med used other sources to determine an applicant's race, including essay questions that the DOJ states were designed to elicit information about an applicant's race or ethnicity, and that admissions officers used that information to select applicants for interviews. The DOJ further found that black applicants had a significantly higher probability of being selected for an interview and received disproportionately higher interview scores than comparable Asian applicants, and that GW Med regularly denied admission to white and Asian applicants in favor of black and Hispanic applicants with lower credentials.
  - 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. For prior coverage of the DOJ findings that other medical schools have intentionally discriminated against applicants based on their race in medical school admissions, see the May 12, 2026, May 19, 2026, June 9, 2026, June 16, 2026, and July 28, 2026 issues of the *Patterson Policy Watch*.
- August 27: The DOJ announced that it filed complaints against Arizona, New Mexico, Oregon, and Washington to challenge each state's laws that provide in-state tuition and financial assistance to "illegal aliens." According to the DOJ's announcement, these states' "laws unconstitutionally discriminate against U.S. citizens who are not afforded the same reduced tuition rates or scholarships, create incentives for illegal immigration, and reward illegal aliens with benefits that U.S. citizens are not eligible for, all in direct conflict with federal law." The DOJ has filed lawsuits against 21 states, and courts in five of those states have issued orders to permanently enjoin and declare unconstitutional state laws that provided in-state tuition to "illegal aliens." For previous coverage of these lawsuits, see the July 7, 2026 issue of the *Patterson Policy Watch*.

Education

- August 31: The DOJ announced that Ohio State University entered into a settlement agreement to resolve allegations that the University failed to disclose University employees' affiliations with, and support from, the People's Republic of China in connection with federal research funding. As a condition of certain federal research funding, the University was required to disclose foreign government support received by any principal investigator on the grant application, and since 2011, federal law prohibits the use of federal grant funds for collaborations with the People's Republic of China and its universities. Under the settlement agreement, the University has agreed to pay a total of $2.1 million to the federal government.

Other

- August 26: *Bloomberg Tax* reported that Jarod Koopman, Chief Tax Compliance Officer and leader of the Criminal Investigation division of the Internal Revenue Service (IRS), stated that changes to the Form 990, including new disclosure requirements for fiscal sponsorship arrangements, should be ready in 2027. According to the article, Koopman said, "We want to make sure these entities aren't utilizing what we consider a privilege and tax benefit to really commit some type of illicit finance or illicit activity."
  - For more coverage of the new efforts to revise the Form 990, please see the April 28, 2026, June 2, 2026, and July 7, 2026 issues of the *Patterson Policy Watch*.

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.

Public Service Loan Forgiveness Litigation

On October 30, 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. Cases we are following on this issue include:

- *National Council of Nonprofits v. McMahon* (District of Massachusetts) and *Commonwealth of Massachusetts v.*

Department of Education (District of Massachusetts): On November 3, 2025, a coalition of cities, nonprofits, and membership associations sued the ED to challenge the Final Rule as violating the Administrative Procedure Act because the ED is exceeding its statutory authority and because the Final Rule is arbitrary and capricious and contrary to the constitutional rights of Free Speech and Due Process. Similarly, on November 3, 2025, 21 states and the District of Columbia sued the ED to challenge the Final Rule on the same grounds. Plaintiffs in both cases requested a joint briefing schedule, in light of their similar challenges to the Final Rule, and the District Court granted the joint briefing schedule on December 11, 2025.

  - On June 30, 2026, the District Court ruled in favor of Plaintiffs' motions for summary judgment in both cases, finding that the Final Rule violates the Administrative Procedure Act and the First Amendment. The District Court dismissed both cases.
  - On **August 27, 2026**, Defendants in both cases appealed the District Court's decision granting summary judgment and order to dismiss the case to the United States Court of Appeals for the First Circuit.

- *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 June 30, 2026, the District Court granted Plaintiffs' motion for summary judgment and dismissed the case, finding that the Final Rule violates the Administrative Procedure Act.
  - On **August 27, 2026,** Defendants appealed the District Court's decision granting summary judgment and order to dismiss the case to the United States Court of Appeals for the District of Columbia.

Other Cases to Watch

- *United States v. President and Fellows of Harvard College* (District of Massachusetts): On March 20, 2026, the DOJ sued Harvard University (Harvard), alleging that Harvard violated Title VI of the Civil Rights Act of 1964 (Title VI), which prohibits discrimination on the basis of race, color, and national origin in any program or activity receiving federal financial assistance, based on Harvard's "intentional conduct and its deliberate indifference to discriminatory harassment of Jewish and Israeli students and creation of a hostile educational environment since October 7, 2023, up to the present day." The DOJ sought, among other relief, a declaratory judgment that Harvard violated Title VI and recovery of the federal funds that Harvard received while allegedly in violation of Title VI. The lawsuit was previously covered in the March 24, 2026 and August 18, 2026 issues of the *Patterson Policy Watch*.
  - On August 13, 2026, the District Court granted Harvard's motion to dismiss the amended complaint, finding that the DOJ had not sufficiently pleaded an ongoing violation of Title VI.
  - On **August 27, 2026**, the DOJ filed a notice of appeal, requesting that the Court of Appeals for the First Circuit review the District Court's decision to dismiss the case.

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