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Nonprofits are not to be ignored. Sign on now.



There is much at stake for charitable nonprofits as the 119th Congress gets busy on tax and spending priorities. Lawmakers will decide momentous policy questions that can have a profound impact – positive or negative – on the ability of local organizations to improve lives, strengthen communities, and advance the public good. We encourage you to join with thousands of charitable nonprofits throughout the United States in signing onto the [Nonprofit Community Letter](#) to ensure Representatives and Senators understand the importance and impact of charitable organizations to their constituents and communities.

[Sign your nonprofit on to this message](#)

Federal

Executive Orders Affecting Charitable Nonprofits

Last week President Trump was sworn into office as the 47th President of the United States. Since then he has signed, and continues to sign, [dozens of Executive Orders \(EOs\)](#) affecting a broad range of issues, including diversity, equity, and inclusion programs; government grants and contracts; civic engagement; immigration; and certain nonprofit subsectors. Some federal agencies are currently taking action to implement the orders while other EOs do not take effect immediately. Some of the orders are likely to be [held up by, and potentially overturned, by legal challenges](#).



Nonprofits with federal grants and contracts, especially those providing diversity, equity, and inclusion trainings and programs to or in partnership with the federal government, or work in immigration, LGBTQ+ rights, or environmental protection, should review their programs and contract language immediately as it pertains the various EOs. NCN is continuing to update its [analysis of the impact of the EOs on nonprofit organizations](#).

Have the Executive Orders affected your work?

Help us track the impacts of the recent Executive Orders on the nonprofit sector by filling out our form.

[Share your story](#)

Worth Reading

- [Full List of Lawsuits Filed Against Donald Trump This Week](#), *Newsweek*, Jan. 21, 2025.
 - [Trump's executive actions have more muscle this time around, but many are just posturing](#), Irie Sentner and Megan Messerly, *Politico*, Jan. 26, 2025.
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Worth Studying

- [What Is an Executive Order?](#), American Bar Association, Jan. 25, 2021.
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House Republicans Release “Reconciliation Menu”

As House Republicans begin working to extend certain tax cuts and lower the corporate tax rate, they first need to identify ways to pay for the tax bill's [estimated \\$4.6 trillion cost](#). Last week the House Budget Committee Republicans released a 50-page “[reconciliation menu](#)” of spending cuts to pay for the upcoming reconciliation bill and identified certain 2017 tax cuts to be extended or broadened. Certain provisions are of particular concern for nonprofit organizations, including those that that would: target education endowments, remove hospital tax-exempt status, eliminate the Employee Retention Tax Credit, change Public Service Loan Forgiveness Program eligibility, and reduce certain federal benefits that provide assistance to people with low incomes and immigrants.

Race-Based Legal Challenges

Last week federal actions were filed challenging race-based policies. Both filings have seemingly similar intents to [the Fearless Fund case](#), which targeted race-based philanthropy and was settled in federal court last year.

- **In Illinois**, a [federal lawsuit was filed](#) seeking to block the enforcement of a [new law](#) that requires nonprofits that grant more than \$1 million to publish

aggregated demographic information about their board members every year. The law took effect at the beginning of this year and remains in effect pending the lawsuit. See this [Fact Sheet](#) on the bill from **Forefront**, the state association of nonprofits in Illinois, for more information on compliance.

- A **North Carolina** advocacy organization [filed a complaint](#) with the U.S. Treasury Department's Office of Civil Rights alleging that a Hurricane Helene small business relief program run by a 501(c)(3) nonprofit is discriminatory and unconstitutional because it gives preference to BIPOC-owned businesses. The complaint asks the Treasury Department to review the grant program and "to take appropriate actions to compel the respondents' compliance with federal anti-discrimination laws."
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Worth Watching

- ***The 2017 Tax Debate Experience and Budget Reconciliation*** (1:01:38) [recording](#) and [slides](#), National Council of Nonprofits, Jan. 9, 2025
 - ***Hot Tax Issues in 2025 and Nonprofit Priorities*** (1:01:48) [recording](#) and [slides](#), National Council of Nonprofits, Jan. 16, 2025
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Federal FastView

- **Birthright Citizenship EO Blocked:** Three days after President Trump signed an executive order [challenging birthright citizenship](#) under the 14th Amendment, a [federal judge temporarily blocked](#) the order. The order prohibited the US government from issuing documents recognizing US citizenship or accepting state or local government documents recognizing US citizenship to persons when the person's mother was unlawfully in the US and the father was not a US citizen or permanent resident or the mother's presence was lawful but temporary and the father was not a US citizen or permanent resident. The case is expected to be appealed. Four other federal lawsuits, including one filed by 18 state Attorneys General, have also been filed.
- **Citizenship Question:** This month, U.S. Rep. Edwards (R-NC) introduced a bill ([H.R. 151](#)) to "require reporting on certain census statistics, and to modify apportionment of Representatives to be based on United States citizens instead of all persons." Last week President Trump issued an [Executive Order](#)

rescinding a Biden-era Executive Order ([Executive Order 13986](#)) requiring all persons, regardless of citizenship or immigration status, in the country to be counted in the decennial census. Finally, four Republican Attorneys General also filed a [lawsuit to challenge](#) the inclusion of noncitizens in the Census count. Historically, every Census since 1790 has [counted every resident](#) in the country, and Apportionment has been based on total population. The U.S. Supreme Court blocked previous attempts to include a citizenship question in the 2020 Census. See NCN's [amicus brief](#).

- **Endowment Tax:** This month, Rep. Nehls (R-TX) introduced a [bill to increase the excise](#) tax on certain private university endowments from 1.4%, which was created under the 2017 tax law, to the corporate rate of 21%. The [reconciliation menu](#), discussed above, also proposes to increase the excise tax to 14%. An excise tax on charitable endowments removes nonprofit independence and replaces the fiduciary judgment of organizational trustees with the political will of elected officials.
- **U.S. Census Counts:** A new [Government Accountability Office \(GAO\) report](#), which assesses the accuracy of census counts, found “Black or African American and Hispanic persons, young children, and renters were undercounted, while non-Hispanic White persons, adults over 50, and homeowners were overcounted” in the 2020 Census. GAO identified examples to improve accuracy for the 2030 census across four categories: (1) public engagement; (2) use of data collected by governments while administering programs; (3) Post-Enumeration Survey design, and (4) operations.

State and Local

State and Local Fiscal Recovery Funds: Updated Data

The U.S. Department of the Treasury released [data on State and Local Fiscal Recovery Funds](#) (SLFRF) that show which state, local, Tribal, and territorial governments have provided nonprofits funding through SLFRF. Data through Sept. 30, 2024 show 1,487 governments reported 5,224 projects that included charitable nonprofits. Those projects reflect \$13.1 billion in obligations and \$11.2 billion of those funds have been spent. While the deadline for state and local governments to

obligate SLFRF resources expired at the end of 2024, the deadline to spend funds is Dec. 31, 2026. However, remaining unspent funds may be impacted by recent Executive Orders issued by President Trump, which direct agencies to [terminate certain grants and contracts](#) inconsistent with the orders. Nonprofits should review all federal grants and contracts and contact government managers. Meanwhile, some states are introducing legislation to evaluate the impact of SLFRF. In **Mississippi**, a bill would establish an [ARPA Expenditures Ombudsman](#) to oversee all expenditures of ARPA funds made by the Legislature, Governor, and state agencies.

Government Grants and Contracting Reform Updates

One of the policy areas gaining traction around the states is improving government-nonprofit partnerships to allow more households and individuals to access vital services.

- **Illinois:** A key grants reform bill from the 2024 legislative session awaits the Governor's signature. If signed into law, the [definition of "direct costs"](#) would expand to include compensation and fringe benefits of employees charged directly to a state or federal award, materials and other expenses incurred, costs that are directly related to a specific award but would otherwise be treated as indirect costs, and salaries of administrative and clerical staff if certain conditions are met. It would also require grant agencies to promote best practices for dissemination, with an emphasis on underserved communities and grantees.
- **Kentucky:** Lawmakers have introduced a bill ([H.B. 150](#)) that would require the Secretary of State to establish a grant database to serve as a single entry point for individuals to access and review grant opportunities. State and local agencies would be required to report grant opportunities for inclusion in the grant database.
- **Maryland:** Recently introduced companion bills ([S. 127/H.B. 300](#)) would increase the indirect cost rate for grants and contracts with nonprofits from 10% to the de minimis rate established under the [OMB Uniform Guidance](#) of 15% of modified total direct costs.
- **New York:** Last week, New York City Mayor Adams issued an [Executive Order](#) instructing agencies overseeing or engaging in "substantial contracting

activities or funding arrangements with nonprofits to designate a chief nonprofit officer.” The [nonprofit officers are charged](#) with coordinating with two offices within the Mayor’s Office, improving services, liaising with and responding to nonprofits for timely contracting and payments, and providing legal advice to enable the city to make timely payments. “Nonprofits never hesitate to answer the call to help their fellow New Yorkers. Now, it’s time for government to answer the nonprofit sector’s call for help and ensure they have the tools to succeed,” said Mayor Adams.

Worth Quoting

On government funding

- “The governor said the other day that state government should be more than a safety net, and that getting by is not enough...And we were glad to hear that, we agree with it. We’re here today to urge all the members of the General Assembly to meet that challenge, and to appropriate what’s necessary to provide services for our most vulnerable residents.”

— Gian-Carl Casa, President and CEO of the CT Community Nonprofit Alliance, in [Alliance of Non-profit Service Providers Call for Increased Money in State Budget](#), Jamil Ragland, *CT News Junkie*, Jan. 14, 2025.

On nonprofit advocacy

- “Colorado’s nonprofit sector represents 34,000+ organizations with a wealth of knowledge and practical expertise across a number of issue areas that impact every community in our state. Easing the barriers that currently prohibit nonprofit organizations from directly engaging in the legislative process ensures state legislators can better support the communities they represent and serve.”

— Paul Lhevine, President & CEO, [Colorado Nonprofit Association](#).

Worth Studying

- [2024 State of the Nonprofit Sector: Bexar County and Surrounding Areas](#), The Nonprofit Council, the Greater San Antonio Chamber of Commerce, and Community Information Now, 2024.
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Numbers in the News

44

The number of state legislatures that will be in session by the end of the month.

— [2025 Legislative Session Dates](#), Multistate, updated regularly.

Nonprofit Events

- Jan. 28, [Legislative Preview](#), Colorado Nonprofit Association
- Jan. 28, [Advocacy Building Blocks](#), Nonprofit Association of Washington
- Jan. 30, [Nonprofit Day at the Capitol](#), Montana Nonprofit Association
- Feb. 4, [Maine Nonprofit Day](#), Maine Association of Nonprofits
- Feb. 4, [Nonprofit Advocacy Summit](#), Tennessee Nonprofit Network
- Feb. 5, [Day on the Hill](#), Tennessee Nonprofit Network

Advocacy in Action

“Head on a Swivel” Advocacy

We regularly tell audiences that public policy is forged in all three levels of government - federal, state, and local - and all three branches of government - legislative, executive, and judicial. While most people think of policymaking and advocacy opportunities in the legislative branch, policy can sometimes arise even faster in the executive branch through regulatory changes or in the judicial branch through decisions.

Good advocates know that any bill, regulation, or court decision could greatly affect - positively or negatively - their communities and spread to other state and local

governments. Thus, one must have their head on a swivel at all times.

[Read the full article](#)

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