

Dear Members,

We get it! With the barrage of news coming out of Washington D.C. daily, on many topics that affect our missions, communities, and people served, it can be easy to miss updates on the policy front. This year as your new government relations lead, I'll do my best to keep you updated on issues coming down the pike with roundups from AFP International, the National Council of Nonprofits, and other policy monitoring groups. It's going to be a busy year.

THESE MEASURES WOULD DIRECTLY IMPACT AZ AND/OR ITS MUNICIPALITIES

Administration Threatens to Unlawfully Suspend Federal Funding to Sanctuary Cities, States, Harming Nonprofits

President Trump threatened in a recent speech to suspend federal funding to sanctuary cities and states beginning Feb. 1. Although it is unclear at this time which specific federal funds could be at risk, the White House Office of Management and Budget issued a memo, ordering all federal agencies except the U.S. Departments of Defense and Veterans Affairs to report by Jan. 28 every grant, loan, contract, subcontract and "other monetary awards" provided to 14 states and the District of Columbia.

Tax Conformity Around the Country

Many state budgets will be affected by legislators' decisions on whether to conform to tax changes in the 2025 tax reconciliation bill, known as H.R. 1. Several states, such as **Arizona** are considering legislation. Arizona ties its income tax structure to the federal government's, so changes in tax law can affect Arizona's revenue and, thus, available funding for services.

U.S. Census Legislation:

Arizona's own Rep. Hamadeh (R-AZ) introduced legislation (H.R. 6486) that would, if enacted, include a question about citizenship in the 2030 Census. Respondents would be asked to indicate how many people in the household are dual citizens of the U.S. and another country. National Council of Nonprofits previously filed an amicus brief with the U.S. Supreme Court explaining how a citizenship question would hurt the Census and nonprofits. *States receive funding for all kinds of services based on the census figures, so any efforts that result in the underreporting of residents reduces funding to states like Arizona (funding that also funnels to nonprofits).*

LOTS MORE COMING OUT OF THE FEDERAL GOVERNMENT, INCLUDING:

Congress Faces the Risk of a Partial Government Shutdown

Congress has until January 30 to reach a bipartisan deal to keep parts of the federal government open and funded, or they risk a partial government shutdown. If Senate leaders reach an agreement to make changes to the spending package, the House must vote again to approve the legislative package before the deadline. To date, Congress has enacted full-year funding for six of the 12 federal spending bills needed.

Enact Anti-Fraud Legislation:

Sen. Ernst (R-IA) will lead efforts in the Senate to enact a legislative package focused on preventing fraud in federal programs. The legislative package is a response to alleged fraud in Minnesota and could impact nonprofits that receive federal grants and contracts nationwide.

Additionally, **House Ways and Means Letter to the IRS:** On January 20, Republicans on the House Ways and Means Committee sent a letter to the Internal Revenue Service (IRS) Acting Commissioner and Chief Executive Officer, calling on the IRS to overhaul its oversight of charitable nonprofits and increase accountability. The letter cites recent activities like hearings and funding freezes as examples of oversight, but it asks for more activity from the IRS on tax-exempt purposes and activities.

***A BREATH OF GOOD NEWS!* Administration Reverses Decision Terminating SAMHSA Grants**

On Jan. 13, the U.S. Department of Health and Human Services informed over 2,000 grantees nationwide it had terminated, effective immediately, \$2 billion in Substance Abuse and Mental Health Services Administration funding. Thanks to their effective advocacy, nonprofits and their champions in Congress successfully pressured the administration to quickly reverse course and reinstate the grant funds.

Legislation Introduced to Prevent Politically Motivated Prosecutions of Nonprofits:

Sen. Murphy (D-CT) introduced the No Political Enemies Act in January to protect individuals and organizations — including nonprofits and faith groups — from politically motivated harassment and prosecution by the federal government. The legislation makes it unlawful for the executive branch to target nonprofits for investigations or prosecutions when such actions are motivated by suppressing the organization’s free speech.

Congress, Administration Target Fraud for New Hearings and Investigations

Keep your eyes on what is happening in Minnesota! In early January, the U.S. House of Representatives’ Committee on Oversight held a hearing to discuss alleged fraud in Minnesota’s social services programs and previous actions during the coronavirus pandemic. In response to the viral allegations, the administration froze more than \$10 billion in childcare funds for low-income families in five states – a move blocked by a federal court earlier in January. *Other actions announced by the Vice President and Treasury Secretary may be a starting point for additional investigations in other states.*

Legislation on Terrorist-Supporting Organizations Adapted, Reintroduced

Sens. Cornyn (R-TX) and Sheehy (R-MT) introduced the No Tax Dollars for Terrorists Act (S.3554) which would allow the U.S. Department of the Treasury to terminate the tax-exempt status of nonprofit organizations that provide material support, such as finances, services, or training, to “terrorist organizations.” Rep. Kustoff (R-TN) introduced the House companion (H.R. 6800) in December 2025. FYI – The National Council of Nonprofits opposed similar previous legislation.

DOJ Investigates Government Contractors for DEI Practices:

The U.S. Department of Justice (DOJ) launched investigations into several major companies and organizations that contract with or receive funding from the federal government. DOJ’s actions stem from an executive order directing federal agencies to identify companies, nonprofits, and other entities for referral to DOJ.

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Please let us know if there is specific information you would like to hear more about in the future.
With gratitude,

Jennifer Tersigni, CFRE
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