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Client Alert: Proposed IRS Regulations Target Discriminatory Policies at Private Schools

On September 3, 2026, the Department of the Treasury and Internal Revenue Service (IRS) issued proposed regulations (IR-2026-103) that would deny Section 501(c)(3) tax-exempt status to private schools with policies or practices that discriminate based on race, color, or national or ethnic origin. The rule would apply broadly to admissions, scholarships and loans, athletics, educational policies, and other school-administered programs at an estimated 18,000 private educational institutions. It would also eliminate longstanding IRS guidance allowing certain race-based preferences, while preserving religious schools' ability to select students based on genuine religious affiliation and permitting race-neutral criteria such as income, geography, and first-generation status. The regulations would apply to taxable years beginning on or after May 31, 2027.

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Affected institutions should review relevant policies now, and our team is available to help assess potential impacts.

For questions or for more information, please contact Hannah Campbell or Felix Pelzer.

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