

## Compliance Pointers Amid Domestic Terrorism Clampdown

By **Tomer Inbar, Amanda Robinson and James Steele** (October 7, 2025, 5:42 PM EDT)

On Sept. 25, the president issued a comprehensive national security memorandum that outlines a broad national strategy to counter domestic terrorism and organized political violence. The memorandum outlines a broad national strategy, with a particular focus on nonprofit organizations and financial networks.

The directive is grounded in recent high-profile acts of political violence, and the memorandum cites the killing of Charlie Kirk and attacks on federal officers as justification for enhanced federal intervention. It asserts that these incidents are not isolated, but rather part of "sophisticated, organized campaigns" that threaten national security and public order.

It casts a wide net and identifies "common threads animating this violent conduct," including "anti-Americanism, anti-capitalism, anti-Christianity; support for the overthrow of the United States Government; extremism on migration, race, and gender; and hostility towards those who hold traditional views on family, religion, and morality."

### Targets and Breadth of Coverage

The memorandum explicitly extends its reach beyond individuals committing violence to "all participants in these criminal and terroristic conspiracies, including the organized structures, networks, entities, organizations, funding sources, and predicate actions behind them."

Notably, it identifies educational institutions as well as "institutional and individual funders, and officers and employees of organizations, that are responsible for, sponsor, or otherwise aid and abet the principal actors engaging in the criminal conduct."

This indicates a likely increase in scrutiny of tax-exempt organizations, including tax-exempt status audits for 501(c)(3) organizations, criminal investigations, and in some cases terrorism designations for entities perceived as supporting or encouraging domestic terrorism.

Tax-exempt entities should begin to prepare for these inevitable investigations, including by understanding their vulnerabilities and focusing on existing compliance mechanisms and strengthening such mechanisms where appropriate.

### Creation of National Joint Terrorism Task Force



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The memorandum establishes the National Joint Terrorism Task Force to "investigate, prosecute, and disrupt networks, entities, and organizations that foment" domestic terrorism and political violence. It directs the task force to focus on two categories of conduct related to recruitment or radicalization:

- Political violence or intimidation "designed to suppress lawful political activity or obstruct the rule of law;" and
- Political violence, terrorism or conspiracy against rights, including the violent deprivation of citizens' rights.

The task force must coordinate with all relevant executive departments and agencies, including the U.S. Department of Justice, the U.S. Department of the Treasury and the Internal Revenue Service.

All federal law enforcement agencies are instructed to "question and interrogate, within all lawful authorities, [those] engaged in political violence and ... related financial sponsorship of those actions prior to adjudication" or entering into plea deals.

The memorandum emphasizes particular crimes such as assaulting federal officers, conspiracy, money laundering, funding terrorist acts, arson, racketeering and major fraud.

Agencies are also directed to apply strategies to disrupt violent and organized crime networks. For example, the secretary of the treasury is instructed to devote all available resources to identifying and disrupting financial networks that fund domestic terrorism, tracing "illicit funding streams" and coordinating with the DOJ. The IRS is directed to ensure that no tax-exempt entities directly or indirectly finance political violence or domestic terrorism, and to refer violators to the DOJ for potential prosecution.

### **Domestic Terrorist Organization Designation**

The attorney general may recommend that groups investigated by the task force be designated as domestic terrorist organizations under Title 18 of the U.S. Code, Section 2331(5), which defines domestic terrorism as involving acts dangerous to human life that violate U.S. or state criminal law, and are intended to intimidate civilians or influence government policy by coercion, or affect government conduct "by mass destruction, assassination, or kidnapping."

The memorandum instructs the attorney general and the secretary of the U.S. Department of Homeland Security to designate domestic terrorism as a national priority area, thereby elevating its status within federal law enforcement and intelligence operations. This formal designation is expected to drive additional resource allocation, interagency coordination and aggressive enforcement actions.

### **Financial Oversight and Asset Disruption**

The treasury secretary is charged with identifying and disrupting financial networks that fund domestic terrorism and political violence. This broad directive will involve the examination of financial flows, issuance of guidance to financial institutions to identify illicit funding streams, and coordination with the DOJ on suspicious activity reports.

Such measures may result in attempts to block the assets of nonprofit organizations and other entities

suspected of facilitating political violence.

## **IRS Actions and Tax-Exempt Status Reviews**

The IRS commissioner is directed to ensure tax-exempt entities are not financing political violence or domestic terrorism, directly or indirectly. Where applicable, such organizations will be referred to the DOJ for investigation and possible prosecution. The memorandum indicates there will be heightened scrutiny of nonprofit organizations' activities, funding sources and operational transparency.

## **Tax Enforcement**

While the memorandum does not target specific tax-exempt organizations, seek to directly revoke exemptions or otherwise have an immediate effect on the applicable tax law, it places tax-exempt entities, and related individuals and entities squarely at the center of federal investigation and enforcement efforts.

Several themes emerge.

First, the memorandum targets domestic terrorism and political violence. While it refers to the definition of domestic terrorism in Section 2331(5) for the limited purpose of the DOJ designations, the memorandum otherwise leaves those key terms undefined.

This ambiguity provides the IRS, the Treasury and other agencies with considerable discretion to interpret what qualifies as indirect financing of domestic terrorism or political violence, heightening compliance and audit risks for nonprofits.

Second, the IRS is explicitly tasked with taking action to ensure tax-exempt organizations — i.e., 501(c) organizations — are not directly or indirectly financing political violence or domestic terrorism.

As a result, nonprofits should anticipate expanded audits, increased data-sharing between the IRS, the DOJ and the Treasury, and intensified pressure to document that their grants and programs do not have even an indirect nexus to activities characterized as violent or radicalizing.

The directive stops short of invoking Title 26 of the U.S. Code, Section 501(p), which allows the suspension of tax-exempt status for entities formally designated as terrorist organizations under immigration statutes, but it foreshadows potential revocations and even referrals to the DOJ for potential criminal investigation, even without a formal Section 501(p) trigger.

A third concern is the Treasury's mandate to trace illicit funding streams, which invites deep dives into nonprofits' cash flows, donor lists and subgrantees.

While the memorandum does not impose new donor-disclosure rules, investigations into these financial networks could unmask donor identities and link them — fairly or not — to alleged unlawful activity, potentially chilling charitable giving.

Nonprofits should proactively strengthen their compliance posture and build audit defense plans. This could entail:

- Reviewing programmatic activities, grant-making practices and partner relationships;

- Enhancing documentation of due diligence on grantees and vendors;
- Working closely with tax counsel to prepare for potential IRS inquiries or task force-related subpoenas; and
- Developing strategies to manage reputational risk if the nonprofit, including its directors and officers in their individual capacities, or a donor or grantee becomes linked to a joint task force investigation.

### **Financial Crimes, the Foreign Agents Registration Act and Beyond**

The memorandum's reach is not confined to the nonprofit sector, and financial crime statutes such as those regarding money laundering, wire fraud and racketeering may become cornerstones of enforcement activity under the directive. The strong emphasis on asset disruption signals that accounts could be blocked or frozen for entities suspected of financing proscribed activities even if they are never formally designated as terrorist organizations.

The memorandum also raises clear Foreign Agents Registration Act implications by authorizing joint task force scrutiny of nongovernmental organizations, U.S. citizens abroad and organizations with foreign ties for possible FARA violations.

Any group engaging on behalf of a foreign principal in so-called political activities, public relations or fundraising efforts should reevaluate its registration obligations and bolster public disclosure practices to minimize risk exposure.

Further, the instruction that all federal agencies question and interrogate individuals involved in political violence before adjudication or initiation of a plea agreement reflects an aggressive investigative stance that may draw in corporate officers, directors and donors.

Organizations potentially within the memorandum's scope should establish coordinated protocols for responding to subpoenas, interviews and data requests to prevent inconsistent statements or inadvertent waivers of privilege.

Finally, financial institutions and large nonprofits should revisit and update their anti-money laundering and know your customer frameworks to align with forthcoming Treasury Department guidance.

Stress-testing compliance programs against the DOJ's Evaluation of Corporate Compliance Programs policy, with a special focus on third-party risk management and internal reporting structures, would be prudent as coordinated multiagency scrutiny could ramp up.

### **Forward-Looking Perspectives and Recommendations**

The Sept. 25 national security presidential memorandum marks a shift in federal domestic-terrorism enforcement, placing nonprofits and their donors and financial intermediaries under a heightened level of scrutiny. While many provisions require further agency rulemaking or guidance, stakeholders should act now.

Nonprofits should consider instituting enhanced diligence over grantees, vendors and events; training their boards and staff to recognize potential red flags for political violence allegations; and preparing

plans for IRS audits or DOJ subpoenas.

Financial institutions should prepare for the Treasury's anticipated guidance on tracing so-called illicit funding streams and shore up internal resources in the event of increased suspicious-activity monitoring and reporting obligations.

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