



TaxNewsFlash

Exempt Organizations

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Federal court rejects deal that would allow churches to engage in political speech without losing tax-exempt status

The U.S. District Court for the Eastern District of Texas on March 31, 2026, held that it lacked jurisdiction to hear a challenge to the “Johnson Amendment” because the lawsuit was a “suit for the purpose of restraining the assessment or collection of any tax,” which is barred by federal law.

The case is: *National Religious Broadcasters v. Bessent*, Case No. 6:24-cv-00311-JCB (E.D. Tex. March 31, 2026). Read the court’s [opinion and order](#).

Summary

The court dismissed the case after the parties—the IRS and several religious organizations—jointly moved for the entry of a consent decree to settle the lawsuit. The proposed settlement would have allowed the organizations to engage in certain political communications during religious services without endangering their tax-exempt status under section 501(c)(3). However, the court found it was barred from approving the settlement by the Tax Anti-Injunction Act (AIA) and the Declaratory Judgment Act (DJA).

The court explained that because the Johnson Amendment is a condition of tax-exempt status, a lawsuit to prevent its enforcement—even through a settlement agreed to by the IRS—is effectively a suit to restrain the collection of taxes. The court emphasized that jurisdiction cannot be created by agreement, stating, “[s]ubject-matter jurisdiction is determined by the nature of the claims and parties in the operative complaint, not by consent during litigation.”

The court concluded that other legal remedies may be available to the plaintiffs. Specifically, the court noted that an organization could bring a refund suit if a tax were ultimately collected, or it could file a declaratory judgment action under section 7428 in one of the courts in the District of Columbia if the IRS were to make an adverse determination regarding its section 501(c)(3) status. The case was dismissed without prejudice.

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