10 CFR Part 1061

Administrative practice and procedure.

Signing Authority

This document of the Department of Energy was signed on July 06, 2026, by Chris Wright, Secretary of Energy. That document with the original signature and date is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the **Federal Register**.

Signed in Washington, DC, on July 7, 2026.

Treena V. Garrett,

Federal Register Liaison Officer, U.S. Department of Energy.

Accordingly, as of July 9, 2026, DOE withdraws the direct final rule amending 10 CFR parts 300, 451, 452, 455, 602, 605, 706, 708, 712, 719, 725, 727, 733, 760, 766, 782, 783, 784, 824, 840, 860, 861, 862, 950, 960, 963, 1009, 1015, 1016, 1045, 1046, and 1061, which published at 91 FR 31869, on May 29, 2026.

[FR Doc. 2026–13875 Filed 7–8–26; 8:45 am]

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DEPARTMENT OF STATE

22 CFR Part 141

[Public Notice: 13049]

RIN 1400–AG23

Rescinding Portions of Department of State Title VI Regulations To Conform More Closely With the Statutory Text and To Implement Executive Order 14281

AGENCY: Department of State.

ACTION: Final rule.

SUMMARY: By this rule, the Department of State (''Department'') amends its regulations implementing Title VI of the Civil Rights Act of 1964 (''Title VI'') to align its regulations with Title VI and, relatedly, to conform to Executive Order 14281.

DATES: The rule is effective on July 9, 2026.

FOR FURTHER INFORMATION CONTACT: Heather Olowski, Office of Civil Rights, at 202–647–9295 or email *socr_direct@state.gov.*

SUPPLEMENTARY INFORMATION:

I. Executive Summary

The Department is rescinding portions of its regulations promulgated pursuant to Title VI, 42 U.S.C. 2000d–1, to more closely align them to the statute, which prohibits only intentionally discriminatory conduct, *see* 42 U.S.C. 2000d. There are serious statutory and constitutional concerns with the legality of the Department's current Title VI regulations because the current regulations go beyond intentional discrimination to additionally prohibit conduct having an unintentional disparate impact. This rule accordingly deletes those portions of the regulations, which are in considerable tension with the statute and Constitution.

The rule's revisions also conform to Executive Order 14281, *Restoring Equality of Opportunity and Meritocracy,* 90 FR 17537 (April 28, 2025). That Executive Order states that ''[i]t is the policy of the United States to eliminate the use of disparate-impact liability in all contexts to the maximum degree possible to avoid violating the Constitution, Federal civil rights laws, and basic American ideals.'' Section 5 of that Executive Order specifically directs the Attorney General to work with Federal agencies, including the Department, to repeal or amend Title VI regulations promulgated under 42 U.S.C. 2000d–1 that address disparate-impact liability. Although the Department would take this action independent of Executive Order 14281, the Order supports this action.

This rule makes clear that the Department's Title VI regulations do not prohibit conduct that has a disparate impact, and the Department thus will not pursue Title VI disparate-impact liability against its Federal-funding recipients.

II. Discussion

A. Statutory History of Title VI

Title VI of the Civil Rights Act of 1964, as amended, prohibits intentional discrimination on the ''ground of race, color, or national origin'' in all programs or activities that receive Federal financial assistance. 42 U.S.C. 2000d. Title VI also directs Federal departments and agencies that extend Federal financial assistance to ''effectuate the provisions of'' Title VI ''by issuing rules, regulations, or orders of general applicability.'' 42 U.S.C. 2000d–1. The section of Title VI that sets forth the prohibited conduct, 42 U.S.C. 2000d, prohibits only intentional discrimination and makes no reference to unintentional disparate effects or impact. The statute also does not explicitly provide any Federal department or agency with authority to prohibit conduct having an unintentional disparate impact. And no subsequent amendments to the statute have expanded Title VI to encompass disparate-impact liability.

B. Regulatory History of Title VI

Pursuant to Executive Order 12250, 28 CFR pt. 41, app A, the Department of Justice acts as the lead Federal agency responsible for implementing Title VI's prohibition of discrimination on the basis of race, color, and national origin in programs or activities receiving Federal financial assistance. As part of this responsibility, Executive Order 12250 provides that the Attorney General must approve other agencies' Federal regulations implementing Title VI, including the Department's regulations.

The Department's Title VI implementing regulations are codified at 22 CFR part 141. The Department originally issued its implementing regulations in 1965. 30 FR 314 (Jan. 9, 1965). In 1973, the Department substantively amended its regulatory description of prohibited discrimination. 38 FR 17946 (July 5, 1973). In 2003, the Department added language regarding ''program or activity'' to reflect the amendment of Title VI by the Civil Rights Restoration Act of 1987. 68 FR 51334, 51358 (Aug. 26, 2003). Thus, apart from the statutorily required updating of the phrase ''program or activity'' pursuant to the Civil Rights Restoration Act, the Department has not substantively updated its Title VI regulations since 1973, which was over 50 years ago.

The Department's implementing regulation describing the scope of prohibited discriminatory conduct, 22 CFR 141.3, currently includes prohibitions on conduct that has an unintentional disparate impact.

C. Relevant Supreme Court Decisions

The Supreme Court has held that Title VI does not prohibit conduct that has a disparate impact but rather prohibits only intentional discrimination. In 1978, five years after the Department last substantively amended its Title VI regulations, the Supreme Court held that Congress intended Title VI to prohibit ''only those racial classifications that would violate the Equal Protection Clause'' if committed by a government actor. *Regents of Univ. of Cal.* v. *Bakke,* 438 U.S. 265, 287 (1978) (Powell, J., announcing judgment); *id.* at 325, 328, 352

(Brennan, J., joined by White, Marshall, and Blackmun, JJ., concurring in part); *see also Students for Fair Admissions, Inc.* v. *President & Fellows of Harvard Coll.,* 600 U.S. 181, 198 n.2 (2023) (''*SFFA*''). Just prior to *Bakke,* the Supreme Court held that the Equal Protection Clause prohibits only intentional discrimination, and conduct that has a discriminatory effect or disparate impact alone does not violate that clause. *Washington* v. *Davis,* 426 U.S. 229, 242 (1976); *see also Vill. of Arlington Heights* v. *Metro. Hous. Dev. Corp.,* 429 U.S. 252, 265 (1977) (''Proof of racially discriminatory intent or purpose is required to show a violation of the Equal Protection Clause.''); *Personnel Admin. of Mass.* v. *Feeney,* 442 U.S. 256, 272 (1979) (''[E]ven if a neutral law has a disproportionately adverse effect upon a racial minority, it is unconstitutional under the Equal Protection Clause only if that impact can be traced to a discriminatory purpose.''). Taken together, these Supreme Court cases establish that Title VI's statutory prohibition extends only to intentional discrimination.

In 2001, the Supreme Court, in *Alexander* v. *Sandoval,* 532 U.S. 275 (2001), reaffirmed that Title VI's statutory prohibition on discrimination extends only to intentional discrimination. *Id.* at 280–81. In *Sandoval,* the Supreme Court held that private plaintiffs could not bring a Title VI action to enforce a then-existing implementing regulation issued by the Department of Justice (''DOJ''), which prohibited conduct that had unintentional discriminatory effects or disparate impacts; this regulation was similar in this regard to the Department's current Title VI regulations. *See id.* at 285. Because Title VI prohibits only intentional discrimination, the statutory private cause of action did not extend to the disparate-impact regulations. *Id.* at 285–87. Although the Supreme Court in *Sandoval* assumed, without deciding, that DOJ's disparate-impact regulation was valid, the Court wrote that the regulation was in ''considerable tension'' with the Supreme Court's Title VI precedents and that the regulation did not ''authoritatively'' construe Title VI because it prohibited conduct (*i.e.,* conduct having an unintentional disparate impact), that Title VI ''permits.'' *Id.* at 281–82, 284–85.

Finally, in 2024, the Supreme Court overruled *Chevron U.S.A. Inc.* v. *Natural Resources Defense Council, Inc.,* 467 U.S. 837 (1984). *See Loper Bright Enters.* v. *Raimondo,* 603 U.S. 369, 409–12 (2024). In doing so, the Supreme Court made clear that ''statutes . . . have a single, best meaning'' that is '' 'fixed at the time of enactment.' '' *Id.* at 400 (quoting *Wis. Cent. Ltd.* v. *United States,* 585 U.S. 274, 284 (2018)). Thus, Title VI's bar on discrimination can have only one meaning. And under Supreme Court precedent, the single, best meaning of Title VI is that it ''prohibits only intentional discrimination'' and ''permits'' facially neutral policies that result in disparate outcomes so long as there is no discriminatory intent. *Sandoval,* 532 U.S. at 280, 286 n.6.

D. Executive Order 14281

On April 23, 2025, the President issued Executive Order 14281. This Order restates the ''bedrock principle of the United States'' ''that all citizens are treated equally under the law.'' 90 FR at 17537. The Order finds that this ''principle guarantees equality of opportunity, not equal outcomes. It promises that people are treated as individuals, not components of a particular race or group.'' *Id.*

This Order also finds that disparate-impact liability ''endangers this foundational principle.'' *Id.* Disparate-impact liability, the Order reasons, ''all but requires individuals and businesses to consider race and engage in racial balancing to avoid potentially crippling legal liability. It not only undermines our national values but also runs contrary to equal protection under the law and, therefore, violates our Constitution.'' *Id.*

The Order relays that because of these problems, ''[i]t is the policy of the United States to eliminate the use of disparate-impact liability in all contexts to the maximum degree possible to avoid violating the Constitution, Federal civil rights laws, and basic American ideals.'' *Id.* The Order directs the Attorney General to, among other things, review Title VI regulations and ''initiate appropriate action to repeal or amend'' these regulations ''to the extent they contemplate disparate-impact liability.'' *Id.* Accordingly, this rule revises Department regulations to conform to the direction that the Department coordinate with the Attorney General to repeal and amend the existing regulations as set forth in Section 5 of the Order.

E. Issues With Current State Department Regulations

The Department's regulation at 22 CFR 141.3, entitled ''Discrimination prohibited,'' contains several provisions that go beyond the text of Title VI and relevant constitutional requirements by prohibiting facially neutral policies that have a disparate impact. Section 143.1(b)(2) is the current regulation's general prohibition of conduct having an unintentional disparate impact; it prohibits certain conduct that has ''the effect of subjecting individuals to discrimination,'' and it does not mention intent.

Section 141.3(b)(5) addresses ''affirmative action'' and provides that funding recipients may intentionally use race to overcome unintentional disparate ''effects.'' This provision authorizes the intentional use of race, color, or national origin without requiring that the recipient narrowly tailor its use to serve a compelling interest, as is required to satisfy constitutional limits on race-based classifications. *See Adarand Constructors, Inc.* v. *Pena,* 515 U.S. 200, 220 (1995). Similarly, Section 141.3(b)(5) sometimes requires a recipient to intentionally use race, color, or national origin without requiring that such use be narrowly tailored to serve a compelling interest. Finally, Section 141.3(d)(2) addresses prohibited discriminatory employment practices and extends beyond intentional discrimination to prohibiting conduct that ''tends'' to have a discriminatory effect.

In addition to the serious statutory and constitutional concerns with the legality of the Department's disparate-impact regulations, the Department also has serious policy concerns, including that the disparate-impact standard creates confusion, undermines public confidence in the nation's civil rights laws and the rule of law, and produces burdensome litigation and compliance costs.

1. Serious Legal Concerns

There are serious statutory concerns as to whether Title VI authorizes the disparate-impact provisions of the current regulations. *Sandoval* and *Loper Bright* call their legality into serious doubt. Title VI authorizes agencies to promulgate regulations ''to effectuate'' the statute's prohibition of intentional discrimination. 42 U.S.C. 2000d–1. The current regulations' prohibition of conduct having an unintentional disparate impact expands the regulation to prohibit a vastly broader scope of conduct than the statute itself prohibits. This scope is too broad to be considered a simple prophylactic measure aimed at preventing intentional discrimination.

There are also serious concerns about whether the Department's Title VI regulations pass constitutional muster under the Equal Protection Clause. As the Supreme Court recently held in *SFFA,* ''the Equal Protection Clause . . . applies without regard to any differences of race, of color, or of nationality—it is universal in its application,'' and the ''guarantee of equal protection cannot mean one thing when applied to one individual and something else when applied to a person of another color.'' 600 U.S. at 206 (internal quotation marks omitted) (first quoting *Yick Wo* v. *Hopkins,* 118 U.S. 356, 369 (1886); and then quoting *Bakke,* 438 U.S. at 289–90 (Powell, J.)). Here, however, the funding recipient's risk of disparate-impact liability is triggered by unintentional disparate outcomes, which a recipient may not even know about without investigation. To evaluate and avoid this risk, the funding recipient must incur investigatory costs, such as conducting an impact analysis, and proactively consider race and potentially use it to change unintended disparate outcomes.

Disparate-impact liability thus encourages and, in some cases, requires covered entities to engage in the intentional use of race and racial balancing to eliminate those disparate outcomes. This encouraged or coerced use of race violates the Equal Protection Clause unless it satisfies strict scrutiny. *See SFFA,* 600 U.S. at 206–07. Similarly, the ''affirmative action'' provision authorizes and sometimes requires the intentional use of race without requiring that this intentional use be narrowly tailored to serve a recognized compelling interest. Instead, it encourages intentional racial balancing.

This equal protection problem also further calls into doubt the proposition that Title VI authorizes disparate-impact liability, as it presents a conflict between the regulation and the statute. The statute forbids intentional racial balancing, while the regulation requires or encourages it, creating a conflict between the two. This conflict not only produces confusion and tends to undermine public confidence in the law but also shows that the Department has deviated too far from its authority to effectuate the statute.

As summarized above, there are serious statutory and constitutional concerns with the legality of the Department's Title VI disparate-impact regulations. But even if the regulations are legal, the Department finds that eliminating the concerns addressed above and the costs and confusion caused by the conflict between the statute and the regulations also justifies the repeal of the regulations. *Cf. U.S. Tel. Ass'n* v. *FCC,* 188 F.3d 521, 528 (D.C. Cir. 1999) (concluding it was not ''arbitrary and capricious'' to adopt a certain policy in order to ''avoid[ ] raising a non-trivial constitutional question'').

2. Serious Policy Concerns

The Department also has serious policy concerns with the imposition of disparate-impact liability. Executive Order 14281 explains many of the valid policy concerns associated with disparate-impact liability. 90 FR at 17537. Moreover, the legal concerns described above have caused uncertainty and confusion for Federal-funding recipients as to whether and when they need to comply with the disparate-impact regulations and when they can or must consider race. As explained above, *Sandoval* has created uncertainty as to the validity of the disparate-impact regulations that many Federal departments and agencies have promulgated.

Additionally, in practice, as above, disparate-impact liability leads covered entities to engage in racial balancing even as Title VI forbids racial balancing. This tension tends to create confusion and undermine public confidence in the nation's civil rights laws and in the rule of law itself, as the law seems to both forbid and require the same conduct. These problems are amplified by the arbitrary nature of the racial and ethnic categories typically used to measure disparate effects, which, by virtue of their arbitrariness, typically lack a meaningful connection to a compelling interest.

This confusion and the weakening of the nation's civil rights laws' ability to teach principles of nondiscrimination is evident in, among other things, many grant proposals for which the U.S. government awarded funds in past years that explicitly targeted certain racial groups. The Department believes these policy concerns justify repealing certain parts of its regulation to cure this confusion, to remove the incentive for covered entities to engage in racial balancing, and to maintain clarity and public confidence in the nation's civil rights laws.

The Department has considered that an evaluation of disparate effects can sometimes be useful in uncovering or deterring subtle discrimination or indifference to unnecessary and arbitrary barriers. Eliminating disparate-impact liability, however, does not preclude the use of data on disparate outcomes to help prove intentional discrimination. Both the Department and private litigants rely on such data, as an evidentiary matter, to help prove intentional discrimination.

The Department has also considered the alternative of trying to adopt a narrower version of disparate-impact liability. One way to adopt a narrower version of liability would be to increase the statistical threshold required for disparate-impact claims. But this would not eliminate the Department's serious legal and policy concerns with disparate-impact liability. Even if possible, developing such a rule would not solve the confusion or rule-of-law concerns expressed above or reduce the compliance and litigation costs that covered entities face. The Department believes that the better course is to avoid the complexities and litigation associated with this alternative, which ultimately would leave some of the problems unaddressed and others inadequately addressed.

The Department also considered the potential reliance interests of funding recipients and others. *Sandoval,* however, cast serious doubt on the regulations more than 20 years ago. At least since then, the Department's enforcement of its disparate-impact regulations has been virtually nonexistent. And Executive Order 14281 also directed all agencies to ''deprioritize enforcement of all statutes and regulations to the extent they include disparate-impact liability,'' including specifically the Department's Title VI disparate-impact regulations. The Department accordingly believes that any reliance interests should be minimal, and, regardless, that they do not outweigh the Department's legal and other policy concerns.

The Department notes that *Sandoval* has also led to a divergence between Title VI enforcement by private plaintiffs and enforcement by Federal departments and agencies. After *Sandoval,* private plaintiffs can enforce only Title VI's statutory prohibition on intentional discrimination. Repealing the Department's disparate-impact regulations would eliminate this incongruent enforcement.

Overall, the Department finds that, regardless of the legality of the regulations, the above-summarized policy concerns justify the repeal of its disparate-impact regulations.

III. Changes

This rule's regulatory changes address the concerns that the Supreme Court raised in *Sandoval* and the other legal and policy concerns discussed above, harmonize the implementing regulations with Title VI, promote consistent enforcement among private plaintiffs and Federal departments and agencies, and provide much needed clarity to the courts and Federal-funding recipients and beneficiaries.

For the reasons summarized above, the Department amends the following provisions in its Title VI implementing regulation that explain the particular types of ''Discrimination prohibited,'' located at 22 CFR 141.3.

A. Table Summarizing Changes

The table below indicates the exact wording changes. For each section indicated in the left column, the text shown in the middle column is removed and the text shown in the right column is added:

Section	Remove	Add
141.3(b)(2)	Full text of paragraph: "(2) A recipient . . . or national origin.".	Replace removed text with "In determining the site or location of facilities, a recipient or applicant may not make selections with the purpose of excluding individuals from, denying them the benefits of, or subjecting them to discrimination under any program to which this subpart applies, on the ground of race, color, or national origin; or with the purpose of defeating or substantially impairing the accomplishment of the objectives of the Act or this subpart."
141.3(b)(5)	Full text of paragraph (including both subparagraphs i and ii).	
141.3(d)(2)	Full text of paragraph.	

B. Section-by-Section Analysis

Section 141.3(b)(2)

Section 141.3(b)(2) is the general prohibition of conduct having an unintentional disparate impact. It imposes liability on Federal-funding recipients who ''utilize criteria or methods of administration which have the effect of subjecting individuals to discrimination.'' Because section 141.3(b)(2)'s only purpose is to prohibit disparate-impact discrimination, this rule deletes this paragraph in its entirety. It thus amends the regulations to conform to Title VI and to address the legal and policy considerations and determinations described in this document. The rule replaces paragraph (b)(2) with regulatory language to make clear that intentional discrimination is prohibited in the selection of the site or location of facilities.

Section 141.3(b)(5)

Section 141.3(b)(5) deals with ''affirmative action.'' Paragraph (b)(5)(ii) authorizes affirmative action in programs even in the absence of a finding of prior discrimination in a program ''to overcome the effects of conditions which resulted in limiting participation by persons of a particular race, color, or national origin.'' This provision points not to intentional discrimination but rather to the unintentional ''effects of conditions.'' The provision consequently authorizes intentional racial classifications, racial preferences, and other race-based actions without the supporting compelling interest and narrow tailoring that the Equal Protection Clause demands. This section has long been unlawful in light of the Equal Protection Clause.

Paragraph (b)(5)(i) *requires* that a recipient ''must take affirmative action to overcome the effects of prior discrimination'' if in ''administering a program'' the ''recipient has previously discriminated.'' This provision problematically goes well beyond the Equal Protection Clause, which permits in limited circumstances, but does not mandate, a government to take narrowly tailored action to remedy the effects of its particular past discrimination. Moreover, even putting aside the mandatory language, this provision does not require sufficient narrow tailoring to particular past discrimination, but rather simply ''affirmative action to overcome the effects of prior discrimination.'' This provision accordingly promotes potential illegal race discrimination because of a lack of tailoring. Moreover, it problematically requires recipients to consider and use racial preferences when the recipient may not want to consider or use racial preferences. This is contrary to the Department's goal of promoting and defending a culture of nondiscrimination and is destructive of the public's understanding of and faith in the nation's civil rights laws. The Department no longer mandate or authorize this use of race, and this rule therefore deletes paragraph (b)(5) in its entirety.

Section 141.3(d)(2)

Section 141.3(d) addresses prohibited discriminatory employment practices. Paragraph (d)(1) prohibits intentionally discriminatory employment practices when a primary objective of the Federal financial assistance is to provide employment. Paragraph (d)(2) extends the prohibition to employment practices of the recipient from Paragraph (d)(1) even when the ''primary objective of the financial assistance is not to provide employment'' if discrimination in the non-funded ''employment practices . . . tends, on the ground of race, color, or national origin, to exclude individuals from participation in, to deny them the benefits of, or to subject them to discrimination under the program to which this regulation applies . . . .'' This paragraph prohibits not only intentional discrimination but rather extends to conduct that ''tends'' to have a discriminatory effect on a program without the primary objective of providing employment.

Moreover, paragraph (d)(2)'s extension to employment practices where the Federal funding's primary objective is not to provide employment conflicts with the limitation on Title VI found in 42 U.S.C. 2000d–3. Section 2000d–3 states that ''[n]othing contained in [Title VI] shall be construed to authorize action under [Title VI] by any department or agency with respect to any employment practice of any employer, employment agency, or labor organization except where a primary objective of the Federal financial assistance is to provide employment.'' *Id.; see also Johnson* v. *Transp. Agency, Santa Clara Cnty.* 480 U.S. 616, 628 n.6 (1987) (citing the statutory limitation and noting Congress's intent that Title VI not ''impinge'' on Title VII, which prohibits discriminatory employment practices). The rule deletes paragraph (d)(2) to amend the regulation so that it more closely adheres to Title VI. This rule makes no change to the current text of paragraph (d)(1).

IV. Severability

The Department's position is that each of the amendments described in this rule serves a vital, related, but distinct purpose. The Department also confirms that each of the amendments is intended to operate independently of each other and that the potential invalidity of one amendment should not affect the other amendments. The Department would adopt any of the amendments independently of the invalidity of a separate amendment.

V. Regulatory Analysis

A. Administrative Procedure Act

The Department issues this final rule without prior public notice and comment pursuant to the Administrative Procedure Act's exception for rules ''relating to agency management or personnel or to public property, loans, grants, benefits, or contracts.'' 5 U.S.C. 553(a)(2). This rule falls into that exception.

Title VI concerns non-discrimination conditions on the receipt of Federal financial assistance, and more particularly to the receipt of Federal ''[g]rants and loans,'' ''property,'' ''personnel'' and ''[a]ny Federal agreement, arrangement, or other contract which has as one of its purposes the provision of assistance.'' 22 CFR 141.12(e); *see also* 22 CFR 141.4 (requiring funding recipient sign contractual assurance of compliance with Title VI). *Cf. Education Programs or Activities Receiving or Benefitting From Federal Financial Assistance,* 82 FR 46655 (Oct. 6, 2017) (invoking exception to amend Title IX regulations to ''promote consistency in the enforcement of Title IX for [Department of Agriculture] financial assistance recipients''); *Preserving Community and Neighborhood Choice,* 85 FR 47899 (Aug. 7, 2020) (invoking exception to repeal Housing and Urban Development rule regarding Federal grantees); *Participation by Minority Business Enterprise in Department of Transportation Programs,* 53 FR 18285 (May 23, 1988) (invoking exception to expand coverage of Department of Transportation regulation regarding Federal Aviation Administration's airport financial assistance program); *Nondiscrimination on the Basis of Handicap in Federally Assisted Programs: Suspension of Guidelines With Respect to Mass Transportation,* 46 FR 40687 (Aug. 11, 1981) (invoking exception to suspend Department of Justice guidelines regarding prohibiting disability discrimination in transportation programs and activities receiving Federal financial assistance).

Indeed, invoking 5 U.S.C. 553(a)(2) is consistent with guidance issued by the Office of Management and Budget (''OMB''), *see* 2 CFR 200.1, which defines ''Federal financial assistance'' with the same categories as the Administrative Procedure Act's exception for rules ''relating to agency management or personnel or to public property, loans, grants, benefits, or contracts,'' 5 U.S.C. 553(a)(2). With potentially limited exceptions not applicable to the Department, all the forms of Federal financial assistance set forth under 2 CFR 200.1 that the Department administers would fall under the exception for ''public property, loans, grants, benefits, or contracts.'' Thus, the Department issues this final rule without prior public notice and comment under 5 U.S.C. 553(a)(2) and without a delayed effective date under 5 U.S.C. 553(d).

B. Executive Orders 12866 and 13563 (Regulatory Review)

The Office of Information and Regulatory Affairs (''OIRA'') has determined that this rulemaking is a ''significant regulatory action'' under section 3(f) of Executive Order 12866, Regulatory Planning and Review, but it is not an ''economically significant'' action under section 3(f)(1). Accordingly, this rule has been submitted to the Office of Management and Budget (''OMB'') for review.

This regulation has been drafted and reviewed in accordance with Executive Order 12866, *Regulatory Planning and Review,* section 1(b), Principles of Regulation, and in accordance with Executive Order 13563, *Improving Regulation and Regulatory Review,* section 1(b), General Principles of Regulation, which supplements and reaffirms the principles of Executive Order 12866. These Executive Orders direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits. Executive Order 13563 also recognizes that some benefits and costs are difficult to quantify and provides that, where appropriate and permitted by law, agencies may consider and discuss qualitatively values that are difficult or impossible to quantify.

As explained in the preamble, the regulatory modifications this rule makes are necessary to conform Department regulations to Executive Order 14281, to address serious legal concerns regarding the Department's Title VI regulation based on the Supreme Court's reading of Title VI in *Sandoval,* harmonize the implementing regulation's scope with Title VI, promote consistency in enforcement among private plaintiffs and Federal departments and agencies, and provide much needed clarity to courts and Federal-funding recipients and beneficiaries regarding the scope of the Department's Title VI regulations. Indeed, with respect to section 141.3(b)(5) of the Department's Title VI implementing regulations, the changes this rule makes are clearly necessary to bring the regulations into compliance with the Equal Protection Clause. In short, this rule is necessary to conform the Department's regulation to existing law, as interpreted by the Supreme Court.

Data limitations make the costs and benefits of the rule difficult to quantify. Although it does not represent the monetary impact of the rule, the Department issued approximately 66,665 separate awards totaling approximately $44.64 billion over the past four years. In Fiscal Year 2024 alone, the Department issued approximately 15,795 separate awards totaling $14.01 billion. In the past, the Department did not record data regarding the applicability of Title VI, and these total figures include foreign recipients outside the United States who may not be subject to Title VI requirements. Further, with respect to discrimination and unintentional disparate-impact liability, the Department does not track and cannot reliably quantify the costs attributable to the varying disparate-impact portions of the financial assistance it has awarded. That disparate impact is sometimes a factor that may be considered in determining whether discrimination was intentional further impedes monetizing costs and benefits. Therefore, the overall cost effect on the Department is difficult to quantify, but the deregulatory action should decrease the Department's compliance costs, while also providing a benefit (also difficult to quantify) of bringing the Department's conduct in line with the law. Similarly, the Department is unable to quantify how funding recipients will respond to the regulatory changes, but the deregulatory action should result in greater flexibility and lower compliance costs for recipients.

The Department recognizes that a funding recipient may receive Federal funds from sources other than the Department. Regardless, the Department does not envision that this rule will appreciably increase administrative or compliance costs for funding recipients who must also adhere to the regulations of another department or agency. This deregulatory action does not create any new obligations for funding recipients. On the contrary, by eliminating disparate-impact liability from the regulation, the rule eliminates a source of regulatory confusion, narrows the conduct prohibited, and thus lessens the costs of compliance and potential liability. Moreover, recipients who receive funds for the same program or activity from more than one Federal entity already enter into separate contractual assurances with each funding entity. *See, e.g.,* 22 CFR 141.4. These contractual assurances already impose varying requirements that each

Federal funding source deems necessary. Funding recipients will continue to be held to the most stringent contractual assurance and regulation. And in any event, the Department notes that other agencies are currently amending their regulations to align with the changes made in this rule, so the Department anticipates that there will be little, if any, disparity in federal requirements regarding disparate-impact liability going forward.

Based on the analysis of the practical qualitative costs and benefits noted above, the Department believes that this rule is consistent with the principles of Executive Orders 12866 and 13563, including the requirements that, to the extent permitted by law, the Department adopt a regulation only upon a reasoned determination that its benefits justify its costs and choose a regulatory approach that maximizes net benefits.

The Department has determined that this rule is a ''significant regulatory action'' under Executive Order 12866, section 3(f), and OMB has accordingly reviewed this rule.

C. Executive Order 14192 (Unleashing Prosperity Through Deregulation)

Executive Order 14192 (Unleashing Prosperity through Deregulation) requires an agency, unless prohibited by law, to identify at least 10 existing regulations to be repealed when the agency publicly proposes for notice and comment or otherwise promulgates a new regulation. In furtherance of this requirement, section 3(c) of the Order requires that the new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least 10 prior regulations. This rule eliminates unnecessary regulation by revising the Department's current Title VI regulations, which extend prohibited conduct to include conduct having an unintentional disparate impact and thus expand the scope of those regulations to a vastly broader range of conduct than the statute prohibits. Accordingly, the Department expects this rule to be a deregulatory action under Executive Order 14192.

D. Executive Order 14294 (Overcriminalization of Federal Regulations)

Executive Order 14294 requires agencies promulgating regulations with criminal regulatory offenses potentially subject to criminal enforcement to explicitly describe the conduct subject to criminal enforcement, the authorizing statutes, and the *mens rea* standard applicable to each element of those offenses. This rule does not impose a criminal regulatory penalty and is thus exempt from Executive Order 14924 requirements.

E. Executive Order 13132 (Federalism)

This rule will not have a substantial, direct effect on the relationship between the national government and the states, on distribution of power and responsibilities among various levels of government, or on states' policymaking discretion. States that choose to receive Title VI funding from the Department do so voluntarily and agree to comply with relevant statutory requirements as a condition of receiving such funding. This rule does not subject states or any other funding recipients or beneficiaries to new obligations. This rule amends and clarifies existing regulations that are required by statute. Therefore, in accordance with Section 6 of Executive Order 13132, the Department has determined that these amendments do not have sufficient federalism implications to warrant the preparation of a federalism summary impact statement.

F. Executive Order 12988 (Civil Justice Reform; Plain Language)

This rule meets the applicable standards set forth in sections 3(a) and (b)(2) of Executive Order 12988 to specify provisions in clear language. Pursuant to section 3(b)(1)(I) of the Executive Order, nothing in this proposed or any previous rule (or in any administrative policy, directive, ruling, notice, guideline, guidance, or writing) directly relating to the program that is the subject of this proposed rule is intended to create any legal or procedural rights enforceable against the United States.

G. Executive Order 12250, ''Leadership and Coordination of Nondiscrimination Laws''

Pursuant to section 1–202 of Executive Order 12250, DOJ has the responsibility to ''review . . . proposed rules . . . of the Executive agencies'' implementing nondiscrimination statutes such as Title VI in order to identify those which are inadequate, unclear or unnecessarily inconsistent.'' Additionally, section 1–101 of Executive Order 12250 delegated the President's responsibility to approve Title VI regulations to the Attorney General. *See* 42 U.S.C. 2000d–1. DOJ has reviewed and approved this rule.

H. Regulatory Flexibility Act

The Department, in accordance with the Regulatory Flexibility Act (''RFA''), 5 U.S.C. 605(b), has reviewed these regulations and certifies that the rule's changes will not have a significant economic impact on a substantial number of small entities, in large part because these regulatory changes do not impose any new substantive obligations on Federal-funding recipients. The rule amends and clarifies existing regulations that are required by Title VI. The rule merely brings the Department into compliance with the Equal Protection Clause and harmonizes the scope of its regulations to conform with the scope of Title VI, which does not prohibit conduct having an unintentional disparate impact. All Federal-funding recipients have been bound by the existing standards that will remain in place after this rule since their initial promulgation. This rule also does not require a regulatory flexibility analysis under the RFA, 5 U.S.C. 603, 604, because, for the reasons described above, no notice of proposed rulemaking is required under 5 U.S.C. 553. *See Or. Trollers Ass'n* v. *Gutierrez,* 452 F.3d 1104, 1123–24 (9th Cir. 2006) (noting that the RFA does not apply when an agency validly invokes an exception to the public comment requirements of 5 U.S.C. 553).

I. Unfunded Mandates Reform Act of 1993

The Unfunded Mandates Reform Act of 1995 (''UMRA''), 15 U.S.C. 1532, requires agencies to prepare several analytic statements before proposing any rule that may result in annual expenditures of $100 million by state, local, tribal governments, or the private sector. Section 4(2) of the UMRA, however, excludes from the Act's coverage any proposed or final Federal regulation that ''establishes or enforces any statutory rights that prohibit discrimination on the basis of race, color, religion, sex, national origin, age, handicap, or disability.'' Accordingly, this rulemaking is not subject to the provisions of the UMRA.

J. Congressional Review Act

OIRA has determined that this rule is not a ''major rule'' as defined by the Congressional Review Act, 5 U.S.C. 804(2).

K. Paperwork Reduction Act

This rule will not impose additional reporting or recordkeeping requirements under the Paperwork Reduction Act of 1995, 44 U.S.C. 3501, *et seq.*

List of Subjects for 22 CFR Part 141

Administrative practice and procedure, Civil rights, Equal employment opportunity, Grant programs.

Accordingly, for the reasons set forth above, part 141 of title 22 of the Code of Federal Regulations is amended as follows:

PART 141—NONDISCRIMINATION IN FEDERALLY-ASSISTED PROGRAMS OF THE DEPARTMENT OF STATE—EFFECTUATION OF TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

■ 1. The authority citation for part 141 is revised to read as follows:

Authority: 42 U.S.C. 2000d, 2000d–7; E.O. 12250, 45 FR 72995, 3 CFR, 1980 Comp., p. 298; E.O. 14281, 90 FR 17537.

■ 2. In § 141.3:
■ a. Revise paragraph (b)(2);
■ b. Remove paragraph (b)(5); and
■ c. Remove and reserve paragraph (d)(2).

The revisions read as follows:

§ 141.3 Discrimination prohibited.

* * * * *

(b) * * *

(2) In determining the site or location of facilities, a recipient or applicant may not make selections with the purpose of excluding individuals from, denying them the benefits of, or subjecting them to discrimination under any program to which this subpart applies, on the ground of race, color, or national origin; or with the purpose of defeating or substantially impairing the accomplishment of the objectives of the Act or this part.

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Michael J. Rigas,

Deputy Secretary for Management and Resources, U.S. Department of State.

[FR Doc. 2026–13860 Filed 7–8–26; 8:45 am]

BILLING CODE 4710–10–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 10052]

RIN 1545–BQ07

Information Reporting and Transfer for Valuable Consideration Rules for Section 1035 Exchanges of Life Insurance and Certain Other Life Insurance Contract Transactions

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final rule.

SUMMARY: This document contains final regulations providing guidance on the application of the transfer for valuable consideration rules and associated information reporting requirements for reportable policy sales of interests in life insurance contracts to exchanges of life insurance contracts qualifying for nonrecognition of gain or loss and certain acquisitions of interests in life insurance contracts in transactions that qualify as corporate reorganizations. The final regulations affect parties involved in these life insurance contract transactions, including with respect to payments of reportable death benefits.

DATES:

Effective date: These regulations are effective on July 9, 2026.

Applicability dates: For dates of applicability, *see* §§ 1.101–6 and 1.6050Y–1(b).

FOR FURTHER INFORMATION CONTACT: Allan H. Sakaue, (202) 317–6995 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Authority

This document contains amendments to 26 CFR part 1 under sections 101 and 6050Y of the Internal Revenue Code (Code) issued pursuant to the express delegations of authority to the Secretary of the Treasury or his delegate (Secretary) provided under sections 6050Y(a) through (c), and 7805(a) of the Code (final regulations).

Section 6050Y provides express delegations of authority to the Secretary to prescribe the time and manner to file information returns and furnish statements setting forth certain information specified therein by the following persons: (1) an acquirer of a life insurance contract or any interest in a life insurance contract in a reportable policy sale during any taxable year (section 6050Y(a)); (2) an issuer of a life insurance contract in connection with a reportable policy sale (section 6050Y(b)); and (3) a payor of death benefits during any taxable year under a life insurance contract transferred in a reportable policy sale (section 6050Y(c)).

Section 7805(a) authorizes the Secretary to ‘‘prescribe all needful rules and regulations for the enforcement of [the Code], including all rules and regulations as may be necessary by reason of any alteration of law in relation to internal revenue.’’

Background

These final regulations amend regulations under sections 101 and 6050Y published in the **Federal Register** (TD 9879, 84 FR 58460) on October 31, 2019, as corrected (84 FR 68042) on December 13, 2019 (2019 final regulations).

The Department of the Treasury (Treasury Department) and the IRS published proposed regulations under sections 101 and 6050Y (REG–108054–21) in the **Federal Register** (88 FR 30058) on May 10, 2023 (2023 proposed regulations). The 2023 proposed regulations were published in response to concerns raised following publication of the 2019 final regulations regarding the application of sections 101 and 6050Y to exchanges to which section 1035 of the Code applies (section 1035 exchanges) and to transfers of contracts occurring in corporate reorganizations under section 368 of the Code. The Treasury Department and the IRS received written comments on the 2023 proposed regulations and held a public hearing on September 28, 2023.

After consideration of the written comments and comments received at the hearing, this Treasury Decision adopts the 2023 proposed regulations as final regulations with modifications, as described in the Summary of Comments and Explanation of Revisions.

Summary of Comments and Explanation of Revisions

This Summary of Comments and Explanation of Revisions section discusses the comments received on the 2023 proposed regulations and explains the revisions adopted in the final regulations in response to those comments.

1. Comments Relating to Section 1035 Exchanges

As described in the preamble to the 2023 proposed regulations, the proposed changes relating to section 1035 exchanges are intended to correct an unintended change effected by the 2019 final regulations to the treatment under section 101 of a life insurance contract issued to a policyholder in a section 1035 exchange, while continuing to address the concerns that prompted the inclusion of rules for section 1035 exchanges in the 2019 final regulations. These concerns include: (1) that the reporting of death benefits paid under section 6050Y(c) could be avoided by exchanging a contract transferred in a reportable policy sale (reportable policy sale (RPS) contract) for a new contract in a section 1035 exchange and (2) that a policyholder could attempt to avoid the limitation on the excludability of death benefits resulting from the application of the ‘‘transfer for value’’ rule set forth in section 101(a)(2) through a section 1035 exchange. The 2023 proposed regulations would accomplish these objectives in four ways: (1) by removing the reference to section 1035 exchanges in the definition of a ‘‘transfer of an interest in a life insurance contract’’