Written by Veronika Kyrylenko on August 7, 2026

Federal Lawsuit Takes Aim at Trump's Tax Immunity Order

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A federal lawsuit challenging the Trump administration's proposed $1.776 billion "Anti-Weaponization Fund" has expanded into a more consequential fight. The plaintiffs are now asking a court to strike down a Justice Department (DOJ) order that shields President Trump, his sons, and his business from federal tax audits and other government claims.

The amended complaint, filed on Thursday in federal court in Alexandria, Virginia, adds the National Treasury Employees Union (NTEU) as a plaintiff. It also adds the Internal Revenue Service (IRS) and its "chief executive," Frank Bisignano, as defendants.

The union represents employees at the IRS and Treasury Department. It argues that the deal could force career civil servants to choose between obeying political superiors and following federal law.

The "Settlement"

The controversy began with Trump's $10 billion lawsuit against the IRS and Treasury over the disclosure of his tax records.

The administration then "settled" that case in May. Trump, Donald Trump Jr., Eric Trump, and the Trump Organization agreed to dismiss the lawsuit. They also withdrew two administrative claims tied to "the unlawful raid of Mar-a-Lago and the Russia-collusion hoax."

The government promised the Trump plaintiffs a formal apology but no direct monetary damages.

Yet the "settlement" between the president and the agencies under his control went much further.

As part of it, the DOJ established the so-called Anti-Weaponization Fund. DOJ said it would receive $1.776 billion from the federal Judgment Fund. The money would compensate people who claimed the government had targeted them for "political, personal or ideological reasons."

Acting Attorney General Todd Blanche called the fund a lawful mechanism for victims of government weaponization. DOJ also said, "There are no partisan requirements to file a claim."

The lawsuit disputes that description. The plaintiffs point to settlement language that defines the relevant "lawfare and weaponization" around conduct by Democratic officials and government personnel. They argue that the arrangement favors one political viewpoint and violates the First and Fifth Amendments.

U.S. District Judge Leonie Brinkema has already blocked implementation of the fund while the litigation proceeds.

With Republican opposition threatening his confirmation, Blanche abruptly rescinded the order establishing the controversial Fund on August 2. Back in early July, he had refused to formally terminate it, arguing that there was "nothing to reverse."

The Immunity Order

The amended lawsuit now targets another part of the "settlement."

On May 19, Blanche signed a one-page order granting a sweeping release from federal claims.

The document said the United States "RELEASES, WAIVES, ACQUITS, and FOREVER DISCHARGES" Trump and the other plaintiffs from a broad range of claims. It also extended protection to "related or affiliated" individuals and entities.

The language covered examinations, reviews, and claims involving matters that existed or could have existed before the settlement date.

The plaintiffs say the language also covers ongoing IRS audits. The complaint alleges that even the narrowed order "will force IRS employees to terminate any ongoing tax examinations (i.e., audits)" involving Trump and those covered by the order. That group extends well beyond the president. The order covers "related or affiliated individuals (including without limitation family or others filing jointly)," as well as trusts, affiliated companies, and subsidiaries.

DOJ, apparently, interprets the order narrowly.

Facing backlash, Blanche clarified on August 2 that the release applies only "retroactively" and only to the named parties in Trump's lawsuit. Under that interpretation, future tax returns remain subject to ordinary examination.

The potential financial stakes are significant. Associated Press reported on Monday that even the narrowed immunity deal could erase more than $100 million in possible back taxes. That estimate comes from a 2024 investigation by ProPublica and *The New York Times* into a long-running IRS dispute over Trump's Chicago tower.

At the same time, the plaintiffs say Blanche's assurance changes little. DOJ did not rescind the May 19 immunity order. They also argue that an explanatory statement cannot override the broader language Blanche originally signed.

IRS Employees Face a Legal Bind

The complaint argues the Immunity Order would give IRS auditors "unlawful directions to terminate particular taxpayers' audits."

Federal law specifically restricts political interference with IRS audits. Under 26 U.S.C. § 7217, the president, vice president, White House employees, and most Cabinet officials may not ask the IRS, directly or indirectly, to begin or terminate an audit of a particular taxpayer. IRS employees who receive a prohibited request must report it to the Treasury inspector general.

The complaint says complying with the Immunity Order could cause IRS employees to "violate their oath of office." Refusing to comply, meanwhile, could expose them to discipline or dismissal. The lawsuit also points to recent departures of senior Treasury and IRS lawyers following reported disputes over the legality of the agreement.

The statute, however, does not impose the same restriction on the attorney general. That creates a central legal complication. That potentially allows Blanche to step in to halt an audit. Whether he has the legal authority to extinguish Trump's tax liabilities through the settlement is a separate question.

NTEU also raises a constitutional challenge. It argues that the immunity violates the Domestic Emoluments Clause, which bars a president from receiving additional benefits from the federal government beyond his official compensation.

The complaint defines an emolument as any "profit, gain, or advantage." It argues that releasing federal claims against Trump, including potential tax liabilities, gives the sitting president exactly such a benefit.

Another Judge Condemned the Original Case

The new challenge comes after another federal judge sharply criticized the litigation that produced both measures.

In July, U.S. District Judge Kathleen Williams concluded that Trump brought his IRS lawsuit for an "improper purpose." She found that the parties used the case as a vehicle to achieve a predetermined result rather than conduct genuine adversarial litigation.

Williams did not invalidate the tax immunity deal itself. She ruled that the government could not portray the agreement in official proceedings as the product of legitimate litigation. Trump has appealed.

Her ruling strengthened the Virginia plaintiffs' argument. They say the fund and immunity order emerged from an arrangement between a president and executive agencies under his own control.

What the Court Must Decide

The amended complaint brings 10 counts under the Constitution, federal administrative law, and limits on executive authority. At its core, the lawsuit asks the court to "halt and permanently set aside" both the "Anti-Weaponization Fund" and the Immunity Order.

The plaintiffs want Brinkema to permanently block any further action on the Fund. Their requested injunction would prohibit officials from accepting claims, making payments, appointing board members, or even "reconstituting the Fund under a different name."

They seek equally broad relief against the tax-immunity deal. The complaint asks the court to declare that the Immunity Order violates the Constitution and federal law, then "vacate and set aside" the order. It also asks Brinkema to prohibit federal officials from "enforcing, implementing, maintaining, or giving effect to the Immunity Order."

The case has therefore moved well beyond the fate of a controversial $1.776 billion fund. The plaintiffs describe the arrangement as an attempt to give Trump "access to taxpayer funds and exemption from audits and other investigations." They contend that the tax immunity would provide the president and his relatives with "a lucrative benefit not available to any other Americans."

Indeed, there is a deeper irony in the dispute. Republicans have spent decades attacking the IRS as intrusive, inefficient, and too powerful — and for good reason. Trump had been making the same case. But if protection from aggressive tax enforcement is a legitimate principle, why should that protection be carved out privately for the president, his family, and his businesses while everyone else remains subject to the same machinery? The more consistent argument would be to restrain the IRS for everyone, simplify the tax code, and finally allow ordinary Americans to keep more of what they earn. Or, better yet, abolish the federal income tax by repealing the 16th Amendment, eliminating the need for the IRS altogether.