



IRS revises frequently asked questions for the Higher Education Emergency Grants

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This Fact Sheet updates frequently asked questions (FAQs) for the Higher Education Emergency Grants. The updates provide information about higher education institutions not having information reporting requirements under section 6041 when using these federal funds to pay students' overdue balances for tuition and fees. These payments are not included in students' gross income.

This update adds new FAQ Questions 8 and 9.

These FAQs are being issued to provide general information to taxpayers and tax professionals as expeditiously as possible. Accordingly, these FAQs may not address any particular taxpayer's specific facts and circumstances, and they may be updated or modified upon further review. Because these FAQs have not been published in the Internal Revenue Bulletin, they will not be relied on or used by the IRS to resolve a case. Similarly, if an FAQ turns out to be an inaccurate statement of the law as applied to a particular taxpayer's case, the law will control the taxpayer's tax liability. Nonetheless, a taxpayer who reasonably and in good faith relies on these FAQs will not be subject to a penalty that provides a reasonable cause standard for relief, including a negligence penalty or other accuracy-related penalty, to the extent that reliance results in an underpayment of tax. Any later updates or modifications to these FAQs will be dated to enable taxpayers to confirm the date on which any changes to the FAQs were made. Additionally, prior versions of these FAQs will be maintained on IRS.gov to ensure that taxpayers, who may have relied on a prior version, can locate that version if they later need to do so.

More information about [reliance is available](#). These FAQs were announced in [IR-2022-34](#).

Higher Education Emergency Grants Frequently Asked Questions

Background

Sections 3504, 18004, and 18008 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, allow higher education institutions to use certain funds allocated by the Department of Education to support students and higher education institutions with expenses and financial needs related to the coronavirus (COVID-19) pandemic.

Section 3504 of the CARES Act allows higher education institutions to use additional supplemental educational opportunity grant funds they receive through subpart 3 of Part A of the Higher Education Act of 1965 (HEA) to award emergency financial aid grants to support undergraduate and graduate students experiencing "unexpected expenses and unmet financial need" as the result of the COVID-19 pandemic.

Section 18004 of the CARES Act directs the Secretary of Education to allocate funds out of the Higher Education Relief Fund to higher education institutions to directly support students facing urgent needs related to the COVID-19 pandemic, and to support institutions as they cope with the immediate effects of the COVID-19 pandemic, including school closures. These funds may be used:



1. to defray the institutions' expenses, including lost revenues and payroll for employees and
2. for "emergency financial aid grants to students for expenses related to the disruption of campus operations due to the COVID-19 pandemic (including eligible expenses under a student's cost of attendance, such as food, housing, course materials, technology, health care, and child care)."

Recipient higher education institutions must pay no less than 50 percent of these funds to students as emergency financial aid grants.

Section 18008 of the CARES Act directs the Secretary of Education to allocate additional funds to Howard University and Gallaudet University to directly support students facing urgent needs related to the COVID-19 pandemic, and to support these institutions as they cope with the immediate effects of the COVID-19 pandemic, including school closures. These funds may be used:

1. by the institutions to help defray their expenses and
2. for "grants to students for expenses directly related to" the COVID-19 pandemic and for expenses "caused by the disruption of university operations" resulting from the COVID-19 pandemic.

Section 314 of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), enacted as Division M of the Consolidated Appropriations Act, 2021, (December 27, 2020), allocates additional funds to higher education institutions in order to prevent, prepare for, and respond to the COVID-19 pandemic. Under section 314(c)(3) of the CRRSAA, these additional funds can be used to provide financial aid grants to students which may be used for any component of their costs of attendance or for emergency costs that arise due to the COVID-19 pandemic, such as food, housing, health care (including mental health care), or child care. Recipient higher education institutions must pay no less than 50 percent of these funds to students as emergency financial aid grants.

Section 277 of the COVID-related Tax Relief Act (COVID Relief Act), enacted as Subtitle B of Title II of Division N of the Consolidated Appropriations Act, 2021, provides that a student does not include in gross income the emergency financial aid grants awarded to him or her under section 3504 or 18004 of the CARES Act, or any other financial aid grant from a Federal agency, State, Indian tribe, institution of higher education, or scholarship-granting organization (including a tribal organization) for the purpose of providing financial relief to students enrolled at institutions of higher education in response to a qualifying emergency, as defined in section 3502(a)(4) of the CARES Act. Section 3502(a)(4) of the CARES Act defines a qualifying emergency as an event related to the COVID-19 pandemic. In addition, section 277 of the COVID Relief Act provides that for purposes of the Lifetime Learning Credit, American Opportunity Tax Credit, or the amount of a tuition and fees deduction, a student does not reduce an amount of qualified tuition and related expenses by the amount of an emergency financial aid grant.

Section 2003 of the American Rescue Plan Act of 2021 (ARP), enacted on March 11, 2021, allocates additional funds to higher education institutions through the HEA, discussed above. These funds may be used to provide financial aid grants to students for any component of their costs of attendance or for emergency costs that arise due to the COVID-19 pandemic, such as food, housing, health care (including mental health care), or child care. These financial aid grants to students are to be provided in accordance with section 314(c)(3) of the CRRSAA.

Q1. I am a student who received an emergency financial aid grant under section 3504, 18004, or 18008 of the CARES Act for unexpected expenses, unmet financial need, or expenses related to the disruption of campus operations on account of the COVID-19 pandemic. Is this grant includible in my gross income? (updated May 18, 2021)



A1. No. Emergency financial aid grants under the CARES Act for unexpected expenses, unmet financial need, or expenses related to the disruption of campus operations on account of the COVID-19 pandemic, such as unexpected expenses for food, housing, course materials, technology, health care, or child care, are not included in your gross income.

Q2. I am a student who received an emergency financial aid grant under section 314 of the CRRSAA or section 2003 of the ARP for a component of the cost of my attendance or for unexpected expenses, unmet financial need, or expenses related to the disruption of campus operations on account of the COVID-19 pandemic. Is this grant includible in my gross income? (added May 18, 2021)

A2. No. Emergency financial aid grants under the CRRSAA or the ARP for a component of the cost of your attendance or for unexpected expenses, unmet financial need, or expenses related to the disruption of campus operations on account of the COVID-19 pandemic, such as food, housing, health care (including mental health care), or child care, are not included in your gross income.

Q3. I am a student who received an emergency financial aid grant from a Federal agency, State, Indian tribe, institution of higher education, or scholarship-granting organization (including a tribal organization) because of an event related to the COVID-19 pandemic. Is this grant includible in my gross income? (added updated May 18, 2021)

A3. No. Emergency financial aid grants made by a Federal agency, State, Indian tribe, institution of higher education, or scholarship-granting organization (including a tribal organization) because of an event related to the COVID-19 pandemic are not included in your gross income.

Q4. I received an emergency financial aid grant as described in Q1, Q2 or Q3 above and used some of it to pay for course-related books, supplies, and equipment that are now required for online learning because my college or university campus is closed. The books, supplies, and equipment do not have to be purchased from my college or university. Can I claim a tuition and fees deduction for these expenses, or treat the cost of these items as a qualifying education expense for purposes of claiming the American Opportunity Credit or the Lifetime Learning Credit? (updated May 18, 2021)

A4. You may claim the American Opportunity Credit for these expenses if you otherwise meet the requirements for the credit. You cannot claim a Lifetime Learning Credit or a tuition and fees deduction for the expenses because you are not required to purchase the books, supplies, and equipment from your college or university. For additional information on these credits and the tuition and fees deduction, see Publication 970, Tax Benefits for Education, available on IRS.gov/pub970.

Q5. I received an emergency financial aid grant as described in Q1, Q2 or Q3 above and used some of it to pay for course-related books, supplies, and equipment that are now required for online learning because my college or university campus is closed. The books, supplies, and equipment must be purchased from my college or university. Can I claim a tuition and fees deduction for these expenses, or treat the cost of these items as a qualifying education expense for purposes of claiming the American Opportunity Credit and the Lifetime Learning Credit? (updated May 18, 2021)

A5. You may claim the American Opportunity Credit or the Lifetime Learning Credit for these expenses if you otherwise meet the requirements for the credit you are claiming. In addition, if you do not claim one of the credits, you can claim a deduction for tuition and fees for these expenses paid on or before December 31, 2020. The tuition and fees deduction is not available for tax years beginning after December 31, 2020.



Q6. Do higher education institutions have any requirements under Internal Revenue Code section 6041 to report information on Form 1099-MISC for emergency financial aid grants awarded to students under section 3504, 18004, or 18008 of the CARES Act, or otherwise in response to the COVID-19 pandemic (including under other provisions of the CARES Act, section 314 of the COVID Relief Act, or section 2003 of the ARP)? (updated May 18, 2021)

A6. No, higher education institutions do not have information reporting requirements under section 6041 with respect to the emergency financial aid grants. These grants are not included in students' gross income, as described in A1, A2, and A3 above. Because the grants are not income, section 6041 does not apply to them, and higher education institutions are not required to file or furnish Forms 1099-MISC, Miscellaneous Income, reporting the emergency financial aid grants.

Q7. For tax year 2021, do higher education institutions have any requirements under Internal Revenue Code section 6050S to report information on Form 1098-T for emergency financial aid grants awarded to students under section 3504, 18004, or 18008 of the CARES Act, or otherwise in response to the COVID-19 pandemic (including under other provisions of the CARES Act, section 314 of the COVID Relief Act, or section 2003 of the ARP)? (updated May 18, 2021)

A7. Yes, for tax year 2021, in certain cases, higher education institutions have information reporting requirements under section 6050S for payments made with emergency financial aid grants. As described in A4 and A5 above, a student may claim a deduction or one of the education credits if the student and the expenses otherwise qualify for the deduction or credit. Any amounts that qualify for the deduction or credit are known as “qualified tuition and related expenses” (QTRE) and trigger the reporting requirements of section 6050S. Accordingly, higher education institutions must report total QTRE, including QTRE paid with emergency financial aid grant funds, in Box 1 of Form 1098-T, Tuition Statement. Higher education institutions do not need to separately identify the portion of QTRE paid with the emergency financial aid grants anywhere on Form 1098-T and they do not need to report the grants themselves in Box 5 of Form 1098-T. This is the case regardless of whether the higher education institution:

1. paid the emergency financial aid grants to the students, who then used grant money to pay for QTRE or
2. applied grant money directly to a QTRE on a student’s account.

Q8: I am a student at a higher education institution and my institution is using federal funds under the CARES Act, the CRRSAA, or the ARP to cancel or discharge my overdue balances, such as for tuition and fees. Is the amount of the discharge includible in my gross income? (added February 15, 2022)

A8. No. If your institution is using federal funds to cancel or discharge your overdue balance for tuition and fees, your debt is being paid by the Federal government and such payment generally would be included in your gross income. However, because your debt is being paid by the Federal government in response to the COVID-19 pandemic, the amounts paid by the Federal government, including grants used to pay an overdue balance for tuition and fees owed to the institution, are not included in your gross income.

Q9. Do higher education institutions have any requirements under Internal Revenue Code section 6041 to report information on Form 1099-MISC if the institutions use federal funds under the CARES Act, the CRRSAA, or the ARP to pay the students’ overdue balances for tuition and fees? (added February 15, 2022)

A9. No. Higher education institutions do not have information reporting requirements under section 6041 when using these federal funds to pay students’ overdue balances for tuition and fees. These payments are not included in students’ gross income. Because the payments are not income, section 6041 does not apply to them, and higher education institutions are not required to file or furnish Forms 1099-MISC, “Miscellaneous Income,” reporting the payments.



Fact Sheet

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