



Frequently Asked Questions about Taxation of Provider Relief Payments

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, appropriated \$100 billion for the Public Health and Social Services Emergency Fund (Provider Relief Fund). The Paycheck Protection Program and Health Care Enhancement Act, enacted on April 24, 2020, appropriated an additional \$75 billion to the Provider Relief Fund. This funding will be used to reimburse eligible health care providers for health care-related expenses or lost revenues that are attributable to the COVID-19 pandemic. See <https://www.hhs.gov/provider-relief/index.html> for more information about the Provider Relief Fund.

Q1: May a health care provider that receives a payment from the Provider Relief Fund exclude this payment from gross income as a qualified disaster relief payment under section 139 of the Internal Revenue Code (Code)?

A: No. A payment to a business, even if the business is a sole proprietorship, does not qualify as a qualified disaster relief payment under section 139. The payment from the Provider Relief Fund is includible in gross income under section 61 of the Code.

Q: Is a tax-exempt health care provider subject to tax on a payment it receives from the Provider Relief Fund?

A: Generally, no. A health care provider that is described in section 501(c) of the Code generally is exempt from federal income taxation under section 501(a). Nonetheless, a payment received by a tax-exempt health care provider from the Provider Relief Fund may be subject to tax under section 511 if the payment reimburses the provider for expenses or lost revenue attributable to an unrelated trade or business as defined in section 513.

Page Last Reviewed or Updated: 06-Jul-2020