



Higher Education Emergency Grants

Frequently Asked Questions

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 the Higher Education Act 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 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, Pub. L. 116-260, 134 Stat.1182 (December 27, 2020), 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.

➔ 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? (added March 30, 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 childcare, are not included in your gross income.

➔ Q2. 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 March 30, 2021)

A2. 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.

➔ Q3. I received an emergency financial aid grant as described in Q1 or Q2 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? (added March 30, 2021)

A3. 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 www.irs.gov/pub970.

⊖ Q4. I received an emergency financial aid grant as described in Q1 or Q2 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? (added March 30, 2021)

A4. 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.

⊖ Q5. 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 under section 277 of the COVID Relief Act? (added March 30, 2021)

A5. 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 and A2 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.

⊖ Q6. 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 under section 277 of the COVID Relief Act? (added March 30, 2021)

A6. 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 A3 and A4 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.