

IRS Announces CARES Act Relief Funds are TAXABLE to For-Profit Health Providers

Just days before the July 15th tax deadline, the IRS announced that funds paid to for-profit healthcare providers through the COVID-19 Provider Relief Fund are taxable income subject to the 21% corporate tax rate. While many thought that the funds would be excluded from gross income under the qualified disaster relief provisions in the tax code, the IRS clarified that payment to a business entity, “does not qualify as a qualified disaster relief payment under section 139.” (See: [IRS’s FAQs on Taxation of Provider Relief Payments](#)). However, payments made from this fund to tax-exempt healthcare providers are not subject to taxation.

If you or your practice are not tax-exempt and you received and kept such funds, you have two options: (1) include the funds in your taxable income and pay the 21% tax rate or (2) return the funds to HHS. There are groups actively lobbying Congress to address this issue with a legislative fix but, as of now, the funds remain taxable income for non-tax-exempt providers. For more information about these funds, HHS has developed a detailed list of FAQs: <https://www.hhs.gov/sites/default/files/provider-relief-fund-general-distribution-faqs.pdf>. You can also find more information about the CARES Act on AANEM’s dedicated webpage: <https://www.aanem.org/Practice/COVID-19-Guidance/CARES-Act-Summary>.