

Healthcare Law Alert: Provider Relief Fund Payments are Taxable Income, Says HHS and IRS

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In posts to their respective website FAQs, the [Department of Health and Human Services \(HHS\)](#) and the [Internal Revenue Service \(IRS\)](#) have both clarified that grant payments received by for-profit providers from the HHS Provider Relief Fund shall be treated as taxable income. Tax-exempt providers are exempt from taxation on the Provider Relief Fund payments, unless the payment is reimbursing expenses or lost revenue attributable to an unrelated trade or business of the tax-exempt provider.

The agencies explain that a payment from the Provider Relief Fund to a business, even if the business is a sole proprietorship, does not qualify as a qualified disaster relief payment under Section 139 of the Internal Revenue Code and is therefore includible in gross income under Section 61 of the Code.

The CARES Act, under which the Provider Relief Fund was established, did not address whether these grants would be taxable income. If Congress intended the grants to be non-taxable, additional legislative action would be necessary. Unless or until such time, physician practices, for-profit hospitals, and other for-profit healthcare facilities must report the payments as part of their taxable gross income.

If you have any questions about this alert or any other Healthcare Law issue, please contact:

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