



# FAQs: Higher Education Emergency Relief Fund and Emergency Financial Aid Grants under the CARES Act

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 graduate and undergraduate 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.

**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?**

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 qualified disaster relief payments under section 139 of the Internal Revenue Code. This grant is not includible in your gross income.

## **Q2: I received an emergency financial aid grant under the CARES Act and used some of it to pay for course materials that are now required for online learning because my college or university campus is closed. Can I claim a tuition and fees deduction for the cost of these materials, or treat the cost of these materials as a qualifying education expense for purposes of claiming the American Opportunity Credit or the Lifetime Learning Credit?**

A2: No. Because the emergency financial aid grant is not includible in your gross income, you cannot claim any deduction or credit for expenses paid with the grant including the tuition and fees deduction, the American Opportunity Credit, or the Lifetime Learning Credit. See section 139(h) of the Internal Revenue Code.

## **Q3: Do higher education institutions have any information reporting requirements under section 6050S for emergency financial aid grants awarded to students under section 3504, 18004, or 18008 of the CARES Act? (added December 14, 2020)**

A3: No. The emergency financial aid grants are qualified disaster relief payments, as described in A1 above, and are not included in students' gross income. As noted in A2 above, students may not claim deductions or credits for these amounts. The reporting of these grants to the IRS on Forms 1098-T could result in the issuance of underreporter notices (Letters CP2000) to students and furnishing such Forms 1098-T to students could cause confusion. Thus, the IRS will not require that these grants be reported pursuant to section 6050S of the Internal Revenue Code on Form 1098-T.