



Emergency aid granted to students due to COVID are not taxable

IRS explains student and higher education institution reporting requirements, credits and deductions

IR-2021-70, March 30, 2021

WASHINGTON – The Internal Revenue Service issued frequently asked questions today on how students and higher education institutions should report pandemic-related emergency financial aid grants.

Students

Emergency financial aid grants made by a federal agency, state, Indian tribe, higher education institution or scholarship-granting organization (including a tribal organization) to a student because of an event related to the COVID-19 pandemic are not included in the student's gross income.

Also, students should not reduce an amount of qualified tuition and related expenses by the amount of an emergency financial aid grant. If students used any portion of the grants to pay for qualified tuition and related expenses on or before December 31, 2020, they may be eligible to claim a tuition and fees deduction or the American Opportunity Credit or Lifetime Learning Credit on their 2020 tax return. See Education [FAQs](#).

The tuition and fees deduction is not available for tax years beginning after December 31, 2020. For additional information on these credits and the tuition and fees deduction, see [Publication 970](#), Tax Benefits for Education.

Higher Education Institutions

Because students don't include emergency financial aid grants in their gross income, higher education institutions are not required to file or furnish Forms 1099-MISC reporting the grants made available by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) or the COVID-related Tax Relief Act (COVID Relief Act) and do not need to report the grants in Box 5 of Form 1098-T.

But any amounts that qualify for the tuition and fees deduction or the American Opportunity Credit or Lifetime Learning Credit are considered "qualified tuition and related expenses" and trigger the reporting requirements of Internal Revenue Code section 6050S. Higher education institutions must include qualified tuition and related expenses paid by emergency financial aid grants awarded to students in Box 1 of Form 1098-T.