

Emergency Aid Granted to Students

Cross References

- IR-2021-70

The IRS has issued frequently asked questions 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.

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.

Higher education institutions. Because students do not 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.

However, 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 IRC 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.