



April 16, 2020

Secretary Steven Mnuchin  
The Department of the Treasury  
1500 Pennsylvania Avenue, NW Main Treasury  
Washington, DC 20220

Commissioner Charles Rettig  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, DC 20224

Secretary Mnuchin and Commissioner Rettig:

On behalf of the National Association of College and University Business Officers and the undersigned higher education associations, I write today concerning the taxability of emergency grant aid appropriated to college and university students in Section 18004 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

We believe that the Congressional intent for these funds was to provide immediate non-taxable disaster relief to a particularly vulnerable and struggling portion of the population during this unprecedented time of crisis, similar to the recovery rebates for individuals provided in Section 2201 of the CARES Act, which are not treated as taxable income.

Traditional educational grant aid is treated as either non-taxable when used for qualified tuition and related expenses (QTRE) or taxable when used for other educational expenses that do not qualify as QTRE, but the emergency aid for students provided by the CARES Act is not traditional grant aid. Congress cites in the legislation several potential uses for these funds, such as “technology, health care, and child care,” which would not be considered QTRE. Given these suggestions, and the unique and unexpected nature of the current COVID-19 crisis, we do not believe that Congress meant for the value of this emergency aid to be diminished by taxation; rather, we believe legislators meant for this aid to function as a qualified disaster relief payment.

There is existing support for this interpretation contained in Section 139 of the Internal Revenue Code, which deals with qualified disasters and qualified disaster relief payments. Because President Donald Trump has approved disaster declarations from all 50 states, and given the catastrophic nature of the COVID-19 crisis, it certainly meets the qualified disaster requirements of Section 139. In cases of qualified disasters, the Code affirms that qualified disaster relief payments from any source that reimburses or pays individuals’ specified expenses in connection with qualified disasters are not taxable as income.

Section 139 also makes clear that qualified disaster relief payments can include reasonable and necessary personal, family, or living expenses incurred as a result of a qualified disaster, much like the potential uses of emergency grant aid to students outlined by Congress in the legislative text of the CARES Act. IRS Publication 3833 (Rev. 12-2014) concerning disaster relief to charitable organizations further affirms that “[p]ayments by a federal, state, or local government, or their agencies or



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instrumentalities, to persons affected by a qualified disaster in order to promote general welfare are also considered to be qualified disaster relief payments.”

Given the unpredictable and unanticipated onset of the coronavirus, and Congress’ swift response on behalf of impacted populations, the emergency grant aid provided to students in the CARES Act should not be treated as traditional educational grant aid. Rather, it should be treated as what it is: a non-taxable qualified disaster relief payment made by Congress to students in response to an ongoing nationwide disaster.

We welcome further discussions with you and your staff members on this issue. Please contact Megan Schneider, senior director of government affairs (202.861.2547, [mschneider@nacubo.org](mailto:mschneider@nacubo.org)), or Mary Bachinger, director of tax policy (202.861.2581, [mbachinger@nacubo.org](mailto:mbachinger@nacubo.org)), to discuss this important issue further.

Sincerely,

A handwritten signature in black ink, appearing to read 'Susan Johnston', written in a cursive style.

Susan Whealler Johnston  
President and CEO

On behalf of:

American Association of Community Colleges  
American Association of State Colleges and Universities  
American Council on Education  
Association of American Universities  
Association of Public and Land-grant Universities  
National Association of Independent Colleges and Universities  
National Association of Student Financial Aid Administrators