IRS

CARES Act Coronavirus Relief Fund frequently asked questions

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) established the Coronavirus Relief Fund (Fund) and appropriated $150 billion to the Fund. Under the law, the Fund is to be used to make payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories (consisting of the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands); and Tribal governments.

The CARES Act provides that payments from the Fund may only be used to cover costs that—

1. Are necessary expenditures incurred due to the public health emergency with respect to COVID–19;
2. Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

Additional information on the Fund unrelated to Federal income taxation is available at The CARES Act Provides Assistance for State and Local Governments webpage (Fund Guidance).

Q. If governments use Fund payments as described in the Fund Guidance to establish a grant program to support businesses, would those funds be considered gross income taxable to a business receiving the grant under the Internal Revenue Code (Code)?

A. Yes. The receipt of a government grant by a business generally is not excluded from the business's gross income under the Code and therefore is taxable. However, a grant made by the government of a federally recognized Indian tribe to a member to expand an Indian-owned business on or near reservations is excluded from the member's gross income under the general welfare exclusion.

Q. If governments use Fund payments as described in the Fund Guidance to establish a loan program to support business, would those funds be considered gross income taxable to a business receiving the loan under the Code?

A. Generally, the receipt of loan proceeds is not included in gross income. However, if the government forgives all or a portion of the loan, the amount of the loan that is forgiven is generally included in gross income of the business and is taxable unless an exclusion in section 108 of the Code or other Federal law applies. If an exclusion applies, an equivalent amount of any deductions, basis, losses or other tax attributes may have to be reduced in accordance with the Code or other Federal law.

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