



FAQs for Payments by Indian Tribal Governments and Alaska Native Corporations to Individuals Under COVID-Relief Legislation

FS-2022-23, March 2022

This Fact Sheet issues final FAQs for Payments by Indian Tribal Governments and Alaska Native Corporations to Individuals under COVID-Relief Legislation, which reflect updates to the [Draft FAQs](#) based on input from tribal government and Alaska Native Corporations leaders. For purposes of these FAQs, references to tribal members include other eligible recipients of COVID relief payments, such as a tribal member's dependents.

These FAQs are being issued to provide general information to taxpayers and tax professionals as expeditiously as possible. Accordingly, these FAQs may not address any particular taxpayer's specific facts and circumstances, and they may be updated or modified upon further review. Because these FAQs have not been published in the Internal Revenue Bulletin, they will not be relied on or used by the IRS to resolve a case. Similarly, if an FAQ turns out to be an inaccurate statement of the law as applied to a particular taxpayer's case, the law will control the taxpayer's tax liability. Nonetheless, a taxpayer who reasonably and in good faith relies on these FAQs will not be subject to a penalty that provides a reasonable cause standard for relief, including a negligence penalty or other accuracy-related penalty, to the extent that reliance results in an underpayment of tax. Any later updates or modifications to these FAQs will be dated to enable taxpayers to confirm the date on which any changes to the FAQs were made. Additionally, prior versions of these FAQs will be maintained on IRS.gov to ensure that taxpayers, who may have relied on a prior version, can locate that version if they later need to do so.

More information about [reliance is available](#). These FAQs were announced in [IR-2022-68](#).

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Background

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, provided funding for emergency relief administered by eligible Indian Tribal Governments (Tribes) to provide payments for the benefit of tribal members and their families for necessary expenses resulting from the COVID-19 pandemic. The CARES Act similarly established a number of emergency relief programs administered by U.S. government agencies for the benefit of individual Americans generally. The Consolidated Appropriations Act, 2021 (CAA), enacted on December 27, 2020, extended certain COVID-related tax provisions, and provided funding for COVID-19 emergency response and relief for the fiscal year ending September 30, 2021, including additional funding for emergency relief administered by Tribes for the benefit of tribal members. The American Rescue Plan Act of 2021 (ARP), enacted on March 11, 2021, also extended certain U.S. government programs, and added new relief provisions for eligible Tribes for the benefit of eligible tribal members. COVID-19 related emergency relief payments, including payments made to tribal members by Tribes with funds received under the CARES Act, CAA, and ARP, are referred to as "COVID relief payments."

On May 24, 2021, the Department of the Treasury and the Internal Revenue Service posted draft FAQs, for consultation, that provided general information on the federal income tax treatment and required reporting of COVID relief payments.

On June 25, 2021, the Department of the Treasury joined the Social Security Administration in tribal consultation on the Tribal general welfare exclusion, including the federal income tax treatment of COVID relief payments made with funds distributed under the CARES Act's Coronavirus Relief Fund (CRF) or the ARP's State and Local Fiscal Recovery Fund. This tribal consultation provided an opportunity for consultation with tribal leaders on the federal income tax consequences to tribal members benefitting from the COVID relief payments described in the Draft FAQs. Also on June 25, 2021, the Supreme Court held in *Yellen v. Confederated Tribes of the Chehalis Reservation* that Alaska Native Corporations (ANCs) are eligible for distributions from the CRF.

On January 21, 2022, the Department of the Treasury held a consultation on the federal income tax consequences of CRF distributions made to ANCs and COVID relief payments made with those funds by ANCs to shareholders.

Based on the helpful comments received in connection with these two tribal consultations, the Department of the Treasury and the Internal Revenue Service are issuing these final FAQs, which reflect updates to the Draft FAQs based on input from tribal government and ANC leaders. For purposes of these FAQs, references to tribal members include other eligible recipients of COVID relief payments, such as a tribal member's dependents. In addition, the answers in FAQs 1-14 relating to the tax treatment and information reporting of payments made from Tribes to tribal members should be considered to apply equally to payments made from ANCs to their shareholders and other eligible recipients, such as an ANC shareholder's dependents.

FAQs

Q1. I am a tribal member who received COVID relief payments distributed by my Tribe for personal, living, family, or funeral expenses that I incurred as a result of the COVID-19 pandemic. Are these payments taxable to me? (added March 25, 2022)

A1. No, the payment you received from your Tribe for reasonable and necessary personal, living, family, or funeral expenses are not included in your gross income and not taxable to you.

Q2. I am a tribal member, and the bank holding the mortgage on my home received a payment on my behalf from my Tribe that came from the Homeowner Assistance Fund created by section 3206 of the ARP. This payment included principal, interest, and real estate taxes. Is this payment taxable to me? (added March 25, 2022)

A2. No, the payment that the bank holding your mortgage received on your behalf from your Tribe is excluded from your gross income and not taxable to you. However, you are not allowed to claim an otherwise permitted deduction (for example, qualified residence interest or real estate taxes) for amounts your bank received on your behalf from the Tribe.

Q3. I am a tribal member who received a payment from my Tribe that came from the Homeowner Assistance Fund created by section 3206 of the ARP. I used this payment to pay my mortgage, which included principal, interest, and real estate taxes. Is this payment taxable to me? (added March 25, 2022)

A3. No, the payment you received from your Tribe is excluded from your gross income and not taxable to you. However, you are not allowed to claim an otherwise permitted deduction (for example, qualified residence interest or real estate taxes) for amounts you paid the bank holding the mortgage on your home with funds you received from the Tribe.

Q4. I am a tribal member who received a payment from my Tribe that came from the Homeowner Assistance Fund created by section 3206 of the ARP. I used this payment to pay my utility bills (such as electric and internet connection service bills) and my homeowner's and flood insurance. Are these payments taxable to me? (added March 25, 2022)

A4. No, the payment you received from your Tribe from the Homeowner Assistance Fund is excluded from your gross income and not taxable to you.

Q5. I am a tribal member who received emergency rental assistance payments from my Tribe that came from federal funds distributed under the CARES Act or CAA for use in paying my rent, utilities, and/or home energy expenses. Are these payments includible in my gross income? (added March 25, 2022)

A5. No. Emergency rental assistance payments, including payments for your rent, utilities and/or home energy expenses, made to you by your Tribe out of federal funds distributed under the CARES Act or CAA are excluded from your gross income and not taxable to you.

Q6. I am a tribal member who received emergency rental assistance from my Tribe that came from federal funds distributed under the CARES Act or CAA for use in paying rent, utilities, and/or home energy expenses, but my Tribe made the payments directly to my

landlord and/or my utility companies on my behalf. Are these payments includible in my gross income? (added March 25, 2022)

A6. No. Emergency rental assistance payments for rent, utilities and/or home energy expenses, made on your behalf to your landlord and/or utility companies by your Tribe out of federal funds distributed under the CARES Act or CAA are excluded from your gross income and not taxable to you.

Q7. I am a tribal member who received payments for water and wastewater expenses or potable drinking water from my Tribe in response to the COVID-19 pandemic. Are these payments taxable to me? (added March 25, 2022)

A7. No, the payments you received from your Tribe for water and wastewater expenses or potable drinking water are excluded from your gross income and not taxable to you.

Q8. I am a tribal member whose children attend elementary school. I received payments from my Tribe in response to the COVID-19 pandemic to purchase IT equipment and internet access services for my children to attend classes remotely. Are these payments taxable to me? (added March 25, 2022)

A8. No, payments you received from your Tribe to purchase IT equipment and internet access services in response to the COVID-19 pandemic are excluded from your gross income and not taxable to you.

Q9. I am a tribal member who has a child currently enrolled in secondary school. I received meals and supplies, such as laptops and paper, from my Tribe to assist my child with online learning during the COVID-19 pandemic. Are these benefits taxable to me? (added March 25, 2022)

A9. No, these benefits provided to you by your Tribe to assist your child with online learning during the COVID-19 pandemic are excluded from your gross income and not taxable to you.

Q10. I am a tribal member who incurred childcare expenses as a result of my increased work schedule due to the COVID-19 pandemic. I received payments from my Tribe for 50% of my childcare expenses. Are these payments taxable to me? (added March 25, 2022)

A10. No, payments you received from your Tribe for the cost of your childcare expenses due to the COVID-19 pandemic are excluded from your gross income and not taxable to you. However, you are not allowed to include the childcare expenses, for which you received payments from your Tribe, in your expenses for purposes of determining your credit for dependent care expenses, nor can you seek reimbursement from a dependent care FSA (that is, a dependent care flexible spending arrangement) for amounts you received from your Tribe.

Q11. I am a spouse of a tribal member and I incurred medical care expenses as a result of multiple tests to determine whether I was infected by COVID-19. I received payments from my spouse's Tribe as a reimbursement for the cost of the COVID-19 testing. Are these

payments taxable to me? (added March 25, 2022)

A11. No, payments you received from your spouse's Tribe for the cost of COVID-19 testing are excluded from your gross income and not taxable to you. However, you are not allowed to include the expense of COVID-19 testing, for which you received payments from your spouse's Tribe, in your medical expenses for purposes of the medical expense deduction, nor can you seek reimbursement from a health FSA (that is, a flexible spending arrangement) for amounts you received from your spouse's Tribe for COVID-19 testing.

Q12. I am a tribal member who derives income from a "fishing rights-related activity" by owning and operating a business that transports fish harvested by tribal members. I received a payment from my Tribe for lost income for my fishing rights-related activity as a result of the COVID-19 pandemic. Is this payment taxable to me? (added March 25, 2022)

A12. No, payments made by your Tribe to you as a tribal member to replace lost income connected to a fishing rights-related activity are not included in your gross income and not taxable to you.

Q13. My Tribe used COVID relief payments to establish a program to make nonreimbursable grants to its members who operate a business on or near the reservation to counter the economic impact of COVID-19. I am a tribal member who received a nonreimbursable grant from the program to be used for this purpose in my existing business, a sole proprietorship operating on or near the reservation. Are these grants taxable to me? (added March 25, 2022)

A13. No. Generally, the receipt of a government grant by a business is included in its gross income and taxable to the business. However, a nonreimbursable grant awarded by a Tribe to a tribal member like you to counter the economic impact of COVID-19 on your sole proprietorship that operates on or near the reservation is excluded from your gross income and not taxable to you.

Q14. Do Tribes have any information reporting obligations with respect to the payments described in Q1 through Q13? (added March 25, 2022)

A14. No, the payments described in Q1 through Q13 are excludable from the tribal members' gross income and therefore not taxable to the recipient tribal members. Thus, these payments are not subject to information reporting under Code section 6041 and are not required to be reported on a Form 1099-MISC, Miscellaneous Information. Tribal members who receive a Form 1099-MISC for these payments should contact the Tribe, and the Tribe should furnish corrected Forms 1099-MISC to the tribal members (and file corrected Forms 1099-MISC with the IRS if incorrect ones were already filed). Regardless of whether a tribal member receives a Form 1099-MISC or corrected Form 1099-MISC, tribal members do not need to report the payments described in Q1 through Q13 as income on their federal income tax returns.

Q15. Are ANCs required to include in their gross income allocations of funds received from the U.S. government to be used to make COVID relief payments for the benefit of ANC shareholders and other eligible recipients? (added March 25, 2022)

A15. No, allocations of funds received by an ANC from the U.S. government to be used for the benefit of the ANC's shareholders and other eligible recipients are excluded from the ANC's gross income to the extent that such funds are paid by the ANC in the form of COVID relief payments to or for the benefit of the ANC's shareholders or other eligible recipients.

IRS-FAQ

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