

Draft FAQs for Payments by Indian Tribal Governments to their Individual Members Under COVID-Relief Legislation and Notice of Tribal Consultation

Background

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, provided a number of emergency relief programs that benefit Indian Tribal Governments (Tribes) and tribal members. The Consolidated Appropriations Act, 2021 (CAA), enacted on December 27, 2020, extended certain COVID-related tax provisions, and provides for appropriations for COVID-19 emergency response and relief for the fiscal year ending September 30, 2021, including additional funds for Tribes. The American Rescue Plan Act of 2021 (ARP), enacted on March 11, 2021, also extended previous programs, and added new relief provisions that benefit Tribes and tribal members. These programs allow Tribes to provide emergency relief payments to tribal members and their families for necessary expenses resulting from the COVID-19 pandemic. The following FAQs provide general information on the tax treatment and required reporting for these payments and refer to CARES Act, CAA, and ARP emergency relief payments collectively as “COVID relief payments.”

The Department of the Treasury will be joining the Social Security Administration in tribal consultation on June 25, 2021 from 1:00 p.m. to 3:00 p.m. ET on the Tribal general welfare exclusion, including the treatment of COVID relief payments made with funds distributed under the CARES Act’s Coronavirus Relief Program and the ARP’s State and Local Fiscal Recovery Fund. This tribal consultation will provide an opportunity for consultation with tribal leaders on the federal income tax consequences to tribal members benefitting from the COVID relief payments described in these FAQs before they are finalized. [Register for the consultation.](#)

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?

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?

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?

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?

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?

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?

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?

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?

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?

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?

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?

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?

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: Do Tribes have any information reporting obligations with respect to the payments described in Q1 through Q12?

A13: No, the payments described in Q1 through Q12 are excludable from the members' gross income and therefore not taxable to the recipient 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. Tribal members do not need to report the payments described in Q1 through Q12 as income on their federal income tax returns.