

Private Practice Physical Therapists

Small business professionals restoring function to America - one patient at a time.

ENSURE MAXIMUM IMPACT OF FEDERAL PROVIDER RELIEF FUNDS

RECOMMENDATION: PPS urges Congress to pass the *Eliminating Provider Relief Fund Tax Penalties Act (S.4525, H.R.7819)* so that Provider Relief Funds are truly tax-free grants and thereby provide the maximum impact to the recipients.

BACKGROUND

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, appropriated \$100 billion for the Public Health and Social Services Emergency Fund (Provider Relief Fund or PHSSEF). The Paycheck Protection Program and Health Care Enhancement Act, enacted on April 24, 2020, appropriated an additional \$75 billion to the Provider Relief Fund. This funding has been earmarked to reimburse eligible health care providers for health care-related “expenses or lost revenues that are attributable to coronavirus”.

After months of inquiry, on July 6th, the [IRS issued guidance](#) stating that the Provider Relief Fund payments (grants) are taxable as income. As a result, the current grant structure creates an inefficient process that provides funds, and then takes back 21 percent or more of those same grants from many of the organizations and providers which are most in need of the assistance.

While awaiting regulatory guidance, in June 2002, the Private Practice Section of the American Physical Therapy Association and 18 other entities sent a [letter](#) to Congressional leadership as well as the Chairs and Ranking Member of the Senate Finance Committee and House Ways & Means Committee explaining the impact of taxing Provider Relief payments. The letter pointed out that it is critical that the actions taken to support front-line caregivers and hospitals are not diluted by technical issues around the taxability of support funds.

ENSURE TAX-FREE STATUS OF PROVIDER RELIEF FUND GRANTS

The *Eliminating Provider Relief Fund Tax Penalties Act (H.R.7819, S.4525)* would override the IRS guidance which stated provider relief fund grants are to be treated as gross income and therefore taxable. Doing so will ensure that these grants will be tax-free and more effective tools to reimburse providers for healthcare related expenses or lost revenues attributable to COVID-19. Enacting this legislation would ensure that all health care providers who receive Provider Relief Funds, regardless of taxpaying or non-taxpaying status, will not have PHSSEF assistance treated as taxable. Additionally, this legislation will ensure that all expenses attributable to PHSSEF assistance will be treated as tax deductible.

PPS believes that the *Eliminating Provider Relief Fund Tax Penalties Act (S.4525, H.R.7819)* is needed to ensure that the Provider Relief funds intended to reimburse eligible health care providers for health care-related expenses or lost revenues that are attributable to the COVID-19 pandemic provide the maximum impact to small businesses struggling to keep their doors open and continue to provide patient care. To cosponsor S.4525, please contact Karen Summar (Karen_Summar@blackburn.senate.gov) in Sen. Marsha Blackburn’s office. To cosponsor H.R.7819, please contact Denise Fleming (Denise.Fleming@mail.house.gov) in Rep. Cindy Axne’s office.