

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 bipartisan *Eliminating Provider Relief Fund Tax Penalties Act (H.R.2079)* 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 \$75 billion more to the Provider Relief Fund. Finally, an additional \$3 billion was added to the PHSSEF by the Consolidated Appropriations Act, 2021 enacted on December 27, 2020. This invaluable funding has been earmarked to reimburse eligible health care providers for health care-related “expenses or lost revenues that are attributable to coronavirus”.

On July 6, 2020 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.

It is critical that the actions taken to support front-line caregivers, physical therapy clinics, and other care delivery locations are not diluted by technical issues around the taxability of support funds. For other key economic life-lines, such as forgiven Paycheck Protection Program loans and the Economic Injury Disaster Loan (EIDL) Advance which were enacted and expanded because of the pandemic, it has been made clear that the funds distributed through those vehicles are not to be taxable as gross income and deductions using those funds are not be hampered.

ENSURE TAX-FREE STATUS OF PROVIDER RELIEF FUND GRANTS

The bipartisan *Eliminating Provider Relief Fund Tax Penalties Act (H.R.2079)* would override the 2020 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 therefore be more effective tools to reimburse providers for healthcare related expenses or lost revenues attributable to COVID-19. Enacting this legislation would ensure that PHSSEF assistance will not be taxable for health care providers who receive Provider Relief Funds, regardless of taxpaying or non-taxpaying status. 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 (H.R.2079)* is needed to ensure that the Provider Relief funds intended to reimburse eligible health care providers for health care-related expenses or lost revenues attributable to the COVID-19 pandemic are able to provide the maximum impact to small businesses struggling to keep their doors open and continue to provide patient care. To cosponsor H.R.2079, please contact Denise Fleming (Denise.Fleming@mail.house.gov) in Rep. Cindy Axne’s office.