

IRS confirms tax-exempt status of Covid utility bill aid

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Last week the IRS released new guidance related to the Coronavirus State and Local Fiscal Recovery Funds established (<https://www.amwa.net/article/covid-19-package-carries-billions-dollars-aid-communities-low-income-water-ratepayers>) by Congress under the American Rescue Plan Act earlier this year. The document (<https://www.irs.gov/newsroom/frequently-asked-questions-for-states-and-local-governments-on-taxability-and-reporting-of-payments-from-coronavirus-state-and-local-fiscal-recovery-funds>) confirms that funds used by states or communities to offset household utility bills are not to be considered taxable income, responding to a question raised by AMWA and other utility and municipal organizations in a September letter (<https://www.amwa.net/article/amwa-seeks-clarity-tax-status-utility-ratepayer-aid>).

Without this clarification, there had been concern that utilities and communities that used these relief funds to offset household utility bills would have to report the aid through 1099 form filings early next year ahead of tax season. But the new guidance makes clear that utility bill assistance is not included in the gross income of recipients, and therefore 1099 forms or any other information related to the aid does not need to be reported to the IRS.

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