

[Updated: Form 1098-T and “Student Grants”](#)

ISSUE:

In December 2020, the IRS issued guidance that CARES Act “student grants” from Higher Education Emergency Relief Fund (HEERF I) would not be reported on the 2020 Form 1098-T. Now, the IRS has issued updated guidance on whether higher education institutions have any requirements under the I.R.C. to report information on Form 1098-T for 2021 with regard to emergency financial aid grants under HEERF I, HEERF II, or HEERF III (from the CARES Act, CRRSA, or ARP.)

SITUATION:

Denali Christian College (DCC) is a private college exempt under Internal Revenue Code section 501(c)(3) and 170(b)(1)(A)(ii). They are required to file Form 990 annually.

DCC’s CFO called to ask us about whether student grants might need to be included in the 2021 Form 1098-T – which would be filed in early 2022.

“Some of the HEERF student grants – from all three sets of funding – may be applied to student accounts or used by students to pay us for tuition, fees, other charges. Do we have to report any of that on Form 1098-T for this year?”

“Great question. On March 30, 2021, the IRS updated their Higher Education Emergency Grants FAQs. The FAQs do not specifically cover student grants from HEERF III (ARP). The Q&A format contains a lot of information for students and schools included in six FAQs. In FAQ #6, they specify that any amounts of student grants that qualify as ‘qualified tuition and related expenses’ (QTRE) must be reported by institutions in Box 1 of Form 1098-T. Further, you do not need to report the grants in Box 5.”

We could almost see the CFO cursing his brow. “Wait. Form 1098, Box 1 is for amounts paid by students for QTRE and Box 5 is for scholarships and grants. So, we report the grants as payments received, but not as scholarships and/or grants? I mean they are even called ‘grants.’”

“That’s what the guidance is saying. And, that is the case regardless of whether the higher education institution paid the emergency financial aid grants to the students, who then used grant money to pay for QTRE or applied grant money directly to a QTRE on a student’s account.”

See more on this issue at:

[Higher Education Emergency Grants Frequently Asked Questions | Internal Revenue Service \(irs.gov\)](#)

RULES:

From IRS Webpage “Higher Education Emergency Grants Frequently Asked Questions”:

Q6. For tax year 2021, do higher education institutions have any requirements under Internal Revenue Code section 6050S to report information on Form 1098-T for emergency financial aid grants awarded to students under section 3504, 18004, or 18008 of the CARES Act, or under section 277 of the COVID Relief Act? (added March 30, 2021)

A6. Yes, for tax year 2021, in certain cases, higher education institutions have information reporting requirements under section 6050S for payments made with emergency financial aid grants. As described in A3 and A4 above, a student may claim a deduction or one of the education credits if the student and the expenses otherwise qualify for the deduction or credit. Any amounts that qualify for the deduction or credit are known as “qualified tuition and related expenses” (QTRE) and trigger the reporting requirements of section 6050S. Accordingly, higher education institutions must report total QTRE, including QTRE paid with emergency financial aid grant funds, in Box 1 of Form 1098-T, Tuition Statement. Higher education institutions do not need to separately identify the portion of QTRE paid with

the emergency financial aid grants anywhere on Form 1098-T and they do not need to report the grants themselves in Box 5 of Form 1098-T. This is the case regardless of whether the higher education institution:

1. paid the emergency financial aid grants to the students, who then used grant money to pay for QTRE or
2. applied grant money directly to a QTRE on a student's account.

BOTTOM LINE:

- All three of the HEERF funding provisions include amounts for “student grants” that have generally been classified as “qualified disaster relief payments.”
- HEERF I / II / III all have different percentages and/or qualifications for “student grants.”
- It appeared that the IRS might required reporting of some HEERF grants to student in Box 5 of Form 1098-T, however, that does not appear to be the case.
- To the extent HEERF student grants are used to cover “QTRE” in 2021, those amounts must be reported on Form 1098-T, Box 1.