



July 13, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Charles Schumer
Minority Leader
U.S. Senate
Washington, DC 20510

The Honorable Richard Neal
Chairman, Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Charles Grassley
Chairman, Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Kevin Brady
Ranking Member, Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Ron Wyden
Ranking Member, Committee on Finance
U.S. Senate
Washington, DC 20510

Re: Taxation of Provider Relief Fund Payments

Dear Majority Leader McConnell, Speaker Pelosi, Minority Leader Schumer, Minority Leader McCarthy, Chairman Neal, Chairman Grassley, Ranking Member Brady, and Ranking Member Wyden:

The Medical Group Management Association (MGMA) deeply appreciates actions taken by Congress to assist physicians, group practices, and healthcare providers across the country in meeting the demands of the COVID-19 pandemic. In particular, financial assistance programs and efforts codified in coronavirus relief legislation offer a lifeline to group practices confronting financial challenges associated with reduced revenue and increased expenses due to the pandemic, thereby mitigating economic stress and enabling providers to appropriately focus on patient care and safety measures. To improve upon the implementation of crucial financial support, **we respectfully request that Congress take action to address the tax treatment of Provider Relief Funds offered through the Public Health and Social Services Emergency Fund and clarify that any retained payments are nontaxable for all recipient providers.**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act appropriated funding to critically important financial relief programs available to healthcare providers, including the Provider Relief Fund¹

¹ The CARES Act appropriated \$100 billion to the fund and the Paycheck Protection Program and Health Care Enhancement Act subsequently added \$75 billion in order to reimburse eligible healthcare providers for healthcare-related expenses or lost revenues that are attributable to COVID-19.

and the Paycheck Protection Program (PPP).

Recognizing that government payments generally constitute taxable income, Section 1106(i) of the CARES Act expressly excluded from the gross income of a recipient any income from the PPP resulting from loan forgiveness. Conversely, the provisions of the CARES Act addressing the Provider Relief Fund do *not* address the tax treatment of financial relief payments received under the Provider Relief Fund, which we believe was an inadvertent oversight. Subsequently, on July 6, 2020 the Internal Revenue Service (IRS) issued [guidance](#) indicating that Provider Relief Fund payments retained by tax-paying recipients are includible in gross income and are not excludible under the qualified disaster relief provision of the tax code.² Accordingly, without additional action, these relief payments will generally be taxable for tax-paying recipients.

We urge Congress to address this issue and clarify that **Provider Relief Funds and similar financial relief payments provided in response to COVID-19 are not taxable when retained by any recipient healthcare entity**. Without congressional action, group practices and healthcare entities will not realize the full benefit of these payments. We do not believe Congress intended this consequence when it enacted the CARES Act.

We sincerely appreciate the work Congress has done over the past several months, which has provided our member group practices with the financial support necessary to continue furnishing patient care. Given continuing revenue shortfalls and economic uncertainty, there remains a need for congressional action to preserve the viability of group practices. Thank you for considering our request. If you have any questions, please contact Mollie Gelburd at mgelburd@mgma.org or 202-293-3450.

Regards,

/s/

Anders Gilberg, MGA

Senior Vice President, Government Affairs

² Section 139 of the Internal Revenue Code.