



# TaxNewsFlash

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## IRS provides FAQs on tax treatment of Treasury grants for transportation service companies (COVID-19)

The IRS today issued a set of “frequently asked questions” (FAQs) regarding certain questions that transportation companies may have about Treasury grants and related taxes.

The “Coronavirus Economic Relief for Transportation Services” (CERTS) Act, enacted as a division of the Consolidated Appropriations Act, 2021, authorizes the Treasury Department to provide grants to transportation service providers—including eligible motorcoach companies, school bus companies, and passenger vessel companies—that experienced annual revenue losses of 25% or more as a result of the coronavirus (COVID-19) pandemic.

Today’s IRS release—[IR-2021-145](#)—explains that these companies must generally prioritize the use of the grants for payroll costs, but that grants may be used for certain operating expenses (including the acquisition of services and equipment needed to protect workers and customers from COVID-19) and the repayment of debt accrued to maintain payroll. Funds not used for eligible activities within one year of receipt of the grant must be returned to the Treasury Department.

The IRS release further explains that the [FAQs](#) posted today answer two important questions:

- **Are the grants taxable?** Yes, the receipt of a CERTS Act grant is not excluded from the recipient’s gross income under the Code and therefore is taxable.
- **Are costs for which the grants are used deductible?** Yes, the costs are deductible to the extent that they are otherwise deductible under the law. The tax law generally permits the payment of wages, salaries, and benefits to employees and other amounts paid to carry on a trade or business to be deducted as ordinary and necessary business expenses.

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