

The End of the National Emergency Declaration

By Garrett M. Higgins, CPA, Partner and Eva Mruk, CPA, EA, Partner

The National Emergency Declaration has been in effect since early 2020. The declaration invoked the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Declaration) in response to COVID-19 and provided a way for employers to provide tax-free financial assistance to employees who were impacted, directly or indirectly, by the coronavirus for the past three years.

On January 30, 2023, the Biden Administration announced its intent to end the National Emergency Declaration on [May 11, 2023](#).

Qualified Disaster Relief Payments

Section 139 of the Internal Revenue Code (Code) may be the most generous and easily administered of the various employee benefits provisions found in the Code. Code Section 139 states that “qualified disaster relief payments” are not treated as taxable wages or income to employees and are fully deductible by the employer as an ordinary and necessary business expense.

A “qualified disaster relief payment” includes any amount paid to reimburse or pay reasonable and necessary personal, family, living or funeral expenses (not otherwise compensated for by insurance) incurred because of a “qualified disaster.” Reasonable and necessary expenses related to COVID-19 included medical expenses, medical equipment, over-the-counter medications, hand sanitizers, home cleaning and disinfectant supplies, work-from-home expenses, transportation costs due to work relocation, etc.

Employers who provide qualified disaster relief payments to employees are not required to report the payments on an employee’s federal Form W-2 or on a federal Form 1099. The payments are not subject to income taxes, employment taxes, or self-employment taxes.

Employers who offer financial support to their employees have questioned if the provisions of Code Section 139 still apply and when the provision will no longer be available. Based on the latest developments, employers may continue to offer tax-free financial assistance until the emergency declaration officially expires on May 11, 2023. For those employers who still want to offer tax-free disaster relief payments to their employees should act fast as time is running out.

Nearing the End

While Section 139 of the Code provided a simple, tax-efficient method for employers to make non-taxable qualified disaster relief payments to employees for reasonable and necessary expenses resulting from the pandemic, the end of the National Emergency Declaration is a good sign that the world has become safer and purchases of masks, hand sanitizers and Clorox wipes won’t be necessary for much longer.

Contact Us

If you have any questions with respect to this tax subject matter, please contact a member of your client service team or either of the following:

Garrett M. Higgins, CPA
Partner-in-Charge
Exempt Organization Tax and Advisory Services
ghiggins@pkfod.com

Eva Mruk, CPA, EA
Partner
emruk@pkfod.com

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