



Coronavirus Relief for Gig and Self-Employed Workers

There's cash relief for gig and self-employed workers suffering an income loss due to the coronavirus pandemic. It comes in several forms:

- Up to 39 weeks of unemployment-like compensation
- A forgivable loan to cover eight weeks of income
- A check from the federal government based on your 2018 or 2019 tax return
- Tax breaks on early retirement withdrawal
- More time to pay your self-employment taxes

Here's a summary of each benefit:

Pandemic Unemployment Assistance

In the recently enacted Coronavirus Aid and Economic Security (CARES) Act, Congress created a temporary program to provide benefits to individuals who don't qualify for unemployment. The Pandemic Unemployment Assistance (PUA) program provides up to 39 weeks of unemployment benefits to self-employed people. This assistance includes a \$600 per week bonus amount.

Payments will be made until December 30, 2020. Your application will be made retroactive to January 27, 2020, or the date when you became unemployed, whichever is more recent.

Like unemployment benefits, the PUA will be administered by the states. Unfortunately, some state applications are not yet available (as of this writing). California's is expected to become available April 28. Wisconsin's is available now. To check when the application will be available in your state, Google "[state] Pandemic Unemployment Assistance."

If your state doesn't provide much guidance (like Ohio), you might want to check out Pennsylvania's site, which is pretty thorough: <https://www.uc.pa.gov/COVID-19/CARES-Act/Pages/PUA-FAQs.aspx>.

Paycheck Protection Program

Congress just appropriated an additional \$320 billion for this program. Here's what you need to know to take advantage.

The Loan

The program provides eight weeks of income via a forgivable loan. Applications must be filed with a participating Small Business Administration (SBA) lender. Your best bet is to apply through a community bank.

To be eligible, you must have been in business on February 15, 2020, be living in the United States and have filed (or be planning to file) IRS Form 1040 Schedule C for 2019.



The loan amount depends on the amount on line 31 of your Schedule C for **2019**, so if you haven't filed your 2019 tax return, you'll need to at least prepare Schedule C to get the loan. To calculate the loan amount, take the lesser of line 31 or \$100,000. Divide that figure by 12 and multiply the result by 2.5.

If you haven't filed your 2019 taxes, in addition to the Schedule C, you will also need to submit with your application evidence of your self-employment, e.g., a 1099-MISC with income in box 7, an invoice, a bank statement or other credible documentation. In addition, you'll have to submit evidence showing you were in business as of February 15, 2020.

What If I Have Employees?

If you have employees, the calculations get a little more complicated. To the amount on Schedule C line 31, add the amount you paid your employees during 2019. Use Box 5 of Form W-3 (Medicare) wages, plus any health care premiums you paid for them, any contributions you made to a 401k or other retirement plan for them, and any state unemployment payments you made. Then, divide by 12 and multiply by 2.5. If you hired an employee during the year, annualize their wage so it represents what they would have made had they started working on January 1.

If your business is organized as a partnership, you should include the same costs for payroll as described earlier. In addition, you can also include total partnership net income from 2019 that is subject to self-employment tax. The combined total of payroll costs and 2019 income subject to self-employment tax should be divided by 12 and multiplied by 2.5 to obtain the maximum loan amount for a partnership.

Permissible Uses and Forgiveness

The loan may be used to pay yourself (and employees) and to pay for rent, interest and utilities, so long as they are business expenses and so long as the obligating agreement (if any) was signed before February 15, 2020.

The amount forgiven equals the amount you spend on these eligible items during the eight weeks after you receive the money. At least 75% of the loan used during the eight-week period must be used to pay yourself (and employees). I know that sounds odd. Even more odd is that to obtain forgiveness, you'll have to produce documentation indicating that you paid yourself. Putting the money in a personal bank account probably suffices. If you have employees, you must pay them at least 75% of what they were getting before the crisis. Be sure to keep your payroll records handy so you'll have them when you request forgiveness.

Government Payment

Based on your 2018 tax return (or your 2019 return if you've filed it already), the government is going to send you a check (or direct deposit) between now and December 31, 2020, if your income was below a certain level. If line 8 on your 1040 (called adjusted gross income, or AGI) is \$75,000 (if you're single) or \$150,000 (if you file with your spouse) you'll receive \$1,200 plus \$500 for each dependent child under the age of 17.



For every \$100 that your AGI exceeds the thresholds, \$5 will be deducted from your benefit. At an AGI of \$99,000, the benefit is reduced to \$0 for a single person with no children. At an AGI of \$198,000, the benefit is reduced to \$0 for a married couple with no children. Charts showing the phase-down of benefits is provided below.

Payment - Single

Children/AGI	\$75,000	\$87,500	\$100,000
0	\$1,200	\$575	\$0
1	\$1,700	\$1,075	\$450
2	\$2,200	\$1,575	\$950
3	\$2,700	\$2,075	\$1,450
4	\$3,200	\$2,575	\$1,950
5	\$3,700	\$3,075	\$2,450

Payment - Married Filing Joint

Children/AGI	\$150,000	\$175,000	\$200,000
0	\$2,400	\$1,150	\$0
1	\$2,900	\$1,650	\$400
2	\$3,400	\$2,150	\$900
3	\$3,900	\$2,650	\$1,400
4	\$4,400	\$3,150	\$1,900
5	\$4,900	\$3,650	\$2,400

Early Retirement Withdrawal

Normally, if you have a qualified retirement plan [like a 401(k)] and you take money out of it before you reach age 59.5, you will pay a 10% penalty and owe tax on the distribution. Now, however, you can take a “coronavirus-related distribution” of \$100,000 without a penalty. You will still owe income tax on the withdrawal. You will be able to spread the income over three years, and if you repay the amount within three years, you can avoid the income tax entirely.

A “coronavirus-related distribution” is one taken by an individual:

- diagnosed with COVID-19 or SRS-COV-2,
- whose spouse or dependent has been so diagnosed, or
- who has experienced adverse financial consequences as a result of a quarantine, furlough, layoff or being unable to work due to lack of childcare.

The CARES Act also raises the amount you can borrow from your retirement plan from \$50,000 to \$100,000. The deadline to contribute to an IRA for 2019 has been extended to July 15, 2020.





Self-Employment Tax Deferral

If you're going to apply for a PPP loan, then you won't qualify for this benefit. Self-employed persons can defer 50% of their self-employment tax due for the 2020 tax year. This tax is typically paid when you file your federal income tax return. If you normally file and pay your federal taxes on April 15, this means you can defer 25% of your self-employment tax to April 15, 2022, and the other 25% to April 15, 2023.

