

The CARES Act for Gig Workers and Others Who Work for Themselves

Updated as of APRIL 26, 2020



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Introduction



Federal Government Support for People Who Work for Themselves

- The government's response to the COVID-19 pandemic and its collateral damage to the economy have been unprecedented.
- The government has established several programs for people who work for themselves, but navigating these programs can be challenging.
- This visual memo is designed to fill that gap. It is aimed at a large and diverse audience, including:
 - Auto mechanics, carpenters, architects, electricians and plumbers
 - Photographers, artists, illustrators, writers, musicians and other freelancers in the entertainment sector
 - Yoga instructors, coaches, personal trainers, dance teachers and others in the physical fitness business
 - Physician assistants, nurse practitioners, psychologists, therapists and others in the healthcare industry
 - Accountants, bookkeepers, consultants, real estate agents and other professional advisors
 - Gardeners, house cleaners, stonemasons, painters and others who work at personal residences
 - Tutors, part-time teachers, adjunct professors and others who work as educators
 - Ride-share drivers, grocery or food service delivery workers, dog walkers, task workers, and others commonly referred to as gig economy workers
- Davis Polk has previously circulated memos on the programs available to small and medium-sized businesses, and their employees, which can be found [here](#).

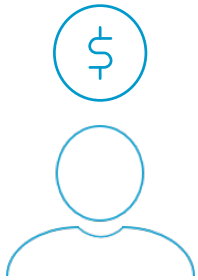
This Memo: Emergency Financial Assistance for People Who Work for Themselves

- This memo describes certain emergency financial assistance programs that are available to people who work for themselves, including:
 - Stimulus checks/economic impact payments
 - Unemployment benefits
 - Small business loans or grants on favorable terms
 - Paycheck Protection Program (**funding may run out soon**)
 - Economic Injury Disaster Loans and Emergency Grants
 - Tax relief
- It includes links to websites that tell individuals where and how to apply for the emergency financial assistance that the government wants to provide them.
- Individuals should take advantage of these programs: Congress specifically included people who work for themselves in the CARES Act because all sectors of the U.S. economy need to keep running for the good of all.

Stimulus Checks/Economic Impact Payments



Stimulus Checks for Individuals



The CARES Act authorizes the U.S. Department of the Treasury and the Internal Revenue Service to issue economic impact payments (also referred to as stimulus checks) to eligible individuals to help Americans get through the COVID-19 crisis.

- Many people are eligible to receive a stimulus check of up to \$1,200 for individuals, \$2,400 for married couples who file joint tax returns, and an additional \$500 for each qualifying child under 17.
- The amount is reduced by \$5 for each \$100 of income (or \$50 for each \$1,000) above \$75,000 for individuals, \$112,500 for heads of household, and \$150,000 for married couples who file joint tax returns.

Who is eligible?

Eligible

- An individual must have a social security number (SSN). An Individual Taxpayer Identification Number (ITIN) is not sufficient.
- For married couples who file joint tax returns, both individuals must generally have SSNs.
- For a parent to receive the additional \$500 per child, the child generally must have an SSN.
- Citizenship is not required. U.S. citizens and resident aliens, including those with green cards, are eligible.
- Social Security recipients, railroad retirees and others who are otherwise not required to file a tax return are also eligible and will not be required to file a return.

Not eligible

- An individual who is claimed as a dependent on another's tax return, in addition to a parent's claim for a child dependent.
- An individual with no children whose income is over \$99,000.
- An individual filing as head of a household with no children whose income is over \$136,500.
- Married couples with no children who file joint tax returns and whose income together is over \$198,000.

How to obtain a stimulus check

For those who are required to file tax returns:

- If you included information for direct deposit, no need to take action!
 - The IRS will calculate and automatically deposit the amount directly into the same banking account reflected on the return filed.
- If you did not use direct deposit, the IRS will mail the check to the address that they have on file.
- For those who already filed 2019 tax returns, the IRS will calculate based on the 2019 tax return information.
- For those who have not filed 2019 tax returns, the IRS will calculate based on the 2018 tax return information.
- Those who have not filed either 2018 or 2019 tax returns are also eligible as long as they file immediately.
- If you believe you are eligible and have not received your payment, check on the status of your payment [here](#).

For those who are not required to file tax returns:

- Certain non-filers who receive governmental benefits do not need to provide information to the IRS because the IRS already has it.
 - For example, senior citizens receiving retirement benefits, certain Social Security benefits, veterans receiving benefits, and railroad retirees.
- Other non-filers, such as those not required to file because their income is below a minimum threshold, must provide certain information such as their address to the IRS [here](#) in order to receive a stimulus check.

Effect of change in status in 2020

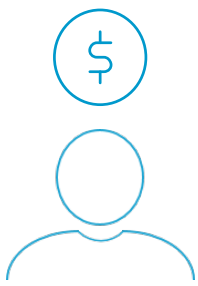
- Individuals who are entitled to more money in 2020 because of a change in status (for example, birth of another child, earned less money in 2020 than 2019/2018) are permitted to claim the additional money as a credit on their 2020 tax returns that would be filed next year.
- Individuals who are entitled to less money in 2020 because of a change in status (for example, a child who previously qualified turned 18, the individual earned more money in 2020 than they did in 2019/2018) are not required to repay the difference.

Unemployment Benefits



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Unemployment Benefits for Self-Employed Individuals



Each state has an existing unemployment insurance program that is designed to provide help to employees who recently lost their jobs and, consequently, their income. The CARES Act expands these programs to increase benefits and to include self-employed individuals who otherwise would not be eligible.

For illustrative purposes only, we have included in this section several numerical examples and have chosen New York's unemployment program to provide a consistent example for readers. For more information on where to apply for unemployment insurance benefits in all 50 states and U.S. territories, including links to application forms, please see Slide [20](#).

- Before the pandemic, state programs generally **excluded** applicants who are self-employed, including independent contractors and sole proprietors.
- The CARES Act created a new initiative, the Pandemic Unemployment Assistance program, to offer unemployment benefits to self-employed individuals. For more on this program, see Slides [15 – 19](#).
- The CARES Act boosts the benefit amounts and length of time for which self-employed individuals and employees are permitted to claim benefits.

Traditional State Unemployment Insurance Program



Each state's unemployment insurance program varies in structure, offering a range of benefits to a variety of eligible residents.

- Standard benefit amounts vary by state and by an applicant's income.
 - **In New York, for example, the minimum weekly benefit is \$104, while the maximum is \$504.**
- The duration of benefits also varies by state, with the most generous programs extending up to 26 weeks.
 - **In New York, benefits are typically available for up to 26 weeks.**

Who is Eligible for Traditional State Unemployment?

- Eligibility requirements also vary by state, but often include the following:
 - Applicants must **have lost their jobs through no fault of their own**.
 - Applicants must be **ready, willing and able to work**.
 - Applicants must be **actively seeking employment**.
 - Applicants must **be employees*** with past **earnings** that meet minimum thresholds, which using New York as an example again would be as follows:

January 1, 2019 – December 31, 2019

(1) Work during at least two quarters,

(2) Earn \geq \$2,600 in at least one quarter, and

(3) Earn \geq \$3,900 in total during this period.

April 1, 2019 – March 31, 2020

(1) Work during at least two quarters,

(2) Earn \geq \$2,600 in at least one quarter, and

(3) Earn \geq \$3,900 in total during this period.

or

* Applicants who are self-employed, including independent contractors and sole proprietors, are generally excluded from receiving traditional unemployment insurance benefits.

How does the CARES Act Enhance Traditional State Unemployment Insurance Programs?

The CARES ACT expands existing unemployment insurance benefits, in participating states, for those employees who are already eligible and extends them to eligible self-employed individuals, including

- Increasing benefits by \$600 per week through July 31, 2020
- Extending the duration of benefits for a total of up to 39 weeks through December 31, 2020
- Compensating individuals for their first week of unemployment, rather than withholding benefits until the second week

Example: New York program (w/ CARES Act applied)

Eligibility	Unchanged
Value of Weekly Benefits (through July 31, 2020)	\$704 – \$1,104 (instead of \$104 – \$504)
Duration of Benefits	Up to 39 weeks (instead of 26 weeks)

How does the CARES Act Expand Eligibility?

The CARES Act extends benefits to self-employed individuals who typically are not eligible for state unemployment insurance programs through a new initiative called the **Pandemic Unemployment Assistance program**

- The Pandemic Unemployment Assistance program is available to individuals who:
 - Are **not** eligible for state unemployment insurance benefits,
 - Are **not** able to work remotely (telework) with pay,
 - Are **not** receiving paid sick leave or other paid leave benefits, and
 - Meet one of the criteria on the next slide.
- Importantly, the Pandemic Unemployment Assistance program is **available to individuals who are self-employed, including independent contractors, sole proprietors and other individual entrepreneurs.**

Which Self-Employed Individuals are Eligible for the Pandemic Unemployment Assistance Program?

Even if you are not normally eligible for unemployment benefits, you may be eligible for the new Pandemic Unemployment Assistance program if you are self-employed and willing and able to work, but are unavailable to work because:

- You were diagnosed with COVID-19 or with COVID-19 symptoms
- A member of your household has been diagnosed with COVID-19
- You are providing care for a family or household member diagnosed with COVID-19
- You are the primary caregiver for a child unable to attend school or another facility closed because of COVID-19
- You are unable to reach your place of employment because of quarantine
- You have been advised by a medical provider to quarantine because of COVID-19
- You are scheduled to begin new employment and cannot reach your workplace as a direct result of COVID-19
- You became the major breadwinner because the head of household died from COVID-19
- You quit your job as a direct result of COVID-19*
- Your place of employment closed as a direct result of COVID-19

* Includes if you were forced to quit because of mandatory quarantine or because your child's school was closed. It is not clear whether it includes situations where you quit because of fear that continuing work puts you at risk of contracting COVID-19.

Benefits under the Pandemic Unemployment Assistance Program

Pandemic Unemployment Assistance program benefits generally align with state unemployment insurance programs, and therefore vary by state

- Benefits:
 - Formula for calculating benefits matches the existing unemployment formula for each state, but with a higher minimum weekly benefit.
 - The minimum benefit in a state is half of the state’s average unemployment weekly benefit.
 - **For example, in New York, the minimum is \$172 for 1/27/20 – 3/31/20 and \$182 for 4/01/20 – 6/30/20.**
 - Maximum benefit is equal to the state’s maximum unemployment insurance weekly benefit.
 - **For example, in New York, the maximum is \$504 per week.**
 - Recipients are also eligible for the \$600 weekly supplemental benefit increase through July 31, 2020.
 - **In New York, the weekly minimum benefit is \$772 through 3/31/20 and \$782 through 6/30/20, and the maximum is \$1,104, compared to normal minimum and maximum benefits of \$172 and \$504, respectively.**
- Duration of Benefits:
 - Recipients are eligible for up to 39 weeks of assistance, compared to, say, 26 weeks as is normally the case in New York.

Calendar of Benefits, Using New York as Example

A P R I L								\$888
	6	7	8	9	10	11	12	\$888
13	14	15	16	17	18	19	\$888	
20	21	22	23	24	25	26	\$888	
27	28	29	30					
M A Y								\$888
	4	5	6	7	8	9	10	\$888
	11	12	13	14	15	16	17	\$888
	18	19	20	21	22	23	24	\$888
	25	26	27	28	29	30	31	\$888
J U N E	1	2	3	4	5	6	7	\$888
	8	9	10	11	12	13	14	\$888
	15	16	17	18	19	20	21	\$888
	22	23	24	25	26	27	28	\$888
	29	30						
J U L Y								\$888
	6	7	8	9	10	11	12	\$888
	13	14	15	16	17	18	19	\$888
	20	21	22	23	24	25	26	\$888
	27	28	29	30	31			
A U G U S T								\$288
	3	4	5	6	7	8	9	\$288
	10	11	12	13	14	15	16	\$288
	17	18	19	20	21	22	23	\$288
	24	25	26	27	28	29	30	\$288
	31							
S E P T E M B E R	1	2	3	4	5	6	\$288	
	7	8	9	10	11	12	13	\$288
	14	15	16	17	18	19	20	\$288
	21	22	23	24	25	26	27	\$288
	28	29	30					
O C T O B E R								\$288
	5	6	7	8	9	10	11	\$288
	12	13	14	15	16	17	18	\$288
	19	20	21	22	23	24	25	\$288
	26	27	28	29	30	31		
N O V E M B E R								\$288
	2	3	4	5	6	7	8	\$288
	9	10	11	12	13	14	15	\$288
	16	17	18	19	20	21	22	\$288
	23	24	25	26	27	28	29	\$288
	30							
D E C E M B E R	1	2	3	4	5	6	\$288	
	7	8	9	10	11	12	13	\$288
	14	15	16	17	18	19	20	\$288
	21	22	23	24	25	26	27	\$288
	28	29	30	31				

Source for dollar amounts: [New York Department of Labor](#)
 Calendar of payments may vary by state and application processing date

A New York employee who made \$30,000 in gross income in 2019 would typically be eligible for a weekly unemployment insurance benefit of \$288, absent the CARES Act.

- **After the CARES Act, both that employee and an eligible self-employed individual under the Pandemic Unemployment Assistance program would be entitled to receive \$888 per week through July 31, 2020 and \$288 per week thereafter until they have received the full 39 weeks of benefits.**

Applying for Unemployment Insurance or the Pandemic Unemployment Assistance Program

- The application process for traditional state unemployment insurance programs and the Pandemic Unemployment Assistance program varies by state.
 - **In many states, applicants for both programs must first apply for unemployment insurance benefits, which often requires the following:**
 - social security number,
 - driver's license or equivalent (if applicable),
 - mailing address and ZIP code,
 - phone number,
 - alien registration card number (if applicable),
 - information on your previous employer, if applicable (for example, FEIN, employer registration number),
 - for federal workers, copies of forms SF8 and SF50, and
 - for those who worked with the military, copies of form DD 214, if applicable.
 - **Applicants who are found not eligible for a traditional state unemployment insurance program may then apply for the Pandemic Unemployment Assistance program.**

Where to apply



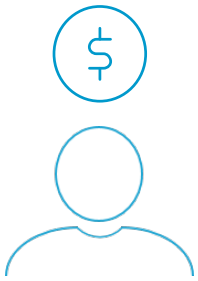
- **Unemployment Office of Your State of Residence**
- **Examples:**
 - **California:**
 - Apply online at <https://edd.ca.gov/Unemployment/>
 - Call 1-800-300-5616
 - **Connecticut:**
 - Apply online at <http://www.ctdol.state.ct.us/UI-OnLine/index.htm>
 - **Florida:**
 - Apply online at <https://covid19.floridajobs.org/>
 - Call 1-800-204-2418
 - **New York:**
 - Apply online at <https://applications.labor.ny.gov/IndividualReg/>
 - Call 1-888-209-8124
 - **Texas:**
 - Apply online at <https://www.twc.texas.gov/jobseekers/unemployment-benefits-services>
 - Call 1-800-628-5115
- **Links to relevant information for all 50 states and U.S. territories can be found [here](#).**

Small Business Loans: Paycheck Protection Program



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Paycheck Protection Program for Self-Employed Individuals



The PPP is a temporary Small Business Administration loan program that provides loans with favorable terms (including potential forgiveness) to self-employed individuals such as sole proprietors and independent contractors, in addition to small businesses that are affected by COVID-19.

- PPP loans must be used for payroll and other eligible purposes related to keeping your business running, described on Slide [26](#).
- Loans are available through June 30, 2020, though funding may run out again soon.
- PPP loans have the following terms:
 - 1.0% interest rate, 2-year term, no personal guaranty
 - 6-month deferment of loan repayment of principal and interest (but interest will accrue during the 6 months)
 - Possibility of loan forgiveness under certain conditions described on Slide [29](#)
- Since PPP loans are 100% government-guaranteed to the lenders, they have limited credit eligibility requirements.
- Congress increased the size of the program by \$310 billion, to a total of \$659 billion.
- Detailed information about the PPP from the Small Business Administration and Treasury can be found [here](#). Specific information for self-employed individuals is available [here](#).

Who is eligible for a PPP loan?

- Individuals with self-employment income (such as independent contractors or sole proprietors) who: (1) filed or will file a Form 1040 Schedule C (or Schedule F, for farmers) for 2019; (2) whose principal place of residence is in the United States; and (3) who were in operation on February 15, 2020.
 - Sole Proprietor—an individual who owns and runs a business other than through a corporation, limited liability company, association, partnership or other business legal entity.
 - **Examples of Sole Proprietorships may include:** small grocery store, hair salon, catering business, farm, solo legal or medical practice, pottery business run from your home.
 - Independent Contractor—an individual who provides goods or services to others and who invoices for work completed (those who pay for the goods or services provided by an independent contractor may be required to file 1099 MISC forms with the IRS).
 - **Examples of Independent Contractors may include:** delivery workers, ride-share drivers, painters, gardeners, artists, writers, etc.
- The Small Business Administration will issue additional guidance for individuals with self-employment income who: (1) were not in operation in 2019 and therefore did not file a Form 1040 Schedule C for 2019, but (2) will file a Form 1040 Schedule C for 2020.
- You must be able to certify that economic uncertainty makes a loan necessary to support your ongoing business.

Who is not eligible for a PPP loan?



- If you are a partner of a partnership, you are not permitted to submit a separate PPP loan application for yourself as a self-employed individual for partnership-related income or expenses. Instead, you must rely on the partnership's filing of a single application for the entire partnership.
- If all of your earnings are from wages reported on Form W-2, then you are not eligible.
 - But if you have some W-2 wages and some income from self-employed work, you are eligible with respect to that self-employment.

What is the maximum PPP loan?

- Maximum loan amounts:

- Depends on whether or not you employ others
- When determining the maximum loan amounts, net profit and any employee's salary (if any) are each capped at \$100,000

No Employees – if you have no employees, the following methodology should be used to calculate your maximum loan amount:

Step 1: Find your 2019 IRS Form 1040 Schedule C line 31 net profit amount (if you have not yet filed a 2019 return, fill it out and compute the value).

- If you had a net profit amount of over \$100,000, reduce it to \$100,000.
- If you had a net profit of zero or net losses, you are not eligible for a PPP loan.

Step 2: Calculate the average monthly net profit amount (divide the amount from Step 1 by 12).

Step 3: Multiply the average monthly net profit amount from Step 2 by 2.5.

Step 4: Add the outstanding amount of any Economic Injury Disaster Loan (EIDL) you received between January 31, 2020 and April 3, 2020 that you seek to refinance with the PPP loan, less the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

[See Slide 27](#)

Employees – if you have employees, the following methodology should be used to calculate your maximum loan amount:

Step 1: Compute 2019 payroll by **adding** the following:

- Your 2019 Form 1040 Schedule C line 31 net profit amount (if you have not yet filed a 2019 return, fill it out and compute the value), up to \$100,000 annualized; if you had a net profit amount of over \$100,000, reduce it to \$100,000; if you had a net profit amount of zero or net losses, set this amount at zero;
- 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States computed using 2019 IRS Form 941 Taxable Medicare wages & tips (line 5c- column 1) from each quarter plus any pre-tax employee contributions for health insurance or other fringe benefits excluded from Taxable Medicare wages & tips; subtract any amounts paid to any individual employee in excess of \$100,000 annualized and any amounts paid to any employee whose principal place of residence is outside the United States; and
- 2019 employer health insurance contributions (health insurance component of Form 1040 Schedule C line 14), retirement contributions (Form 1040 Schedule C line 19), and state and local taxes assessed on employee compensation (primarily under state laws commonly referred to as the State Unemployment Tax Act or SUTA from state quarterly wage reporting forms).

Step 2: Calculate the average monthly amount (divide the amount from Step 1 by 12).

Step 3: Multiply the average monthly amount from Step 2 by 2.5.

Step 4: Add the outstanding amount of any EIDL you received between January 31, 2020 and April 3, 2020 that you seek to refinance with the PPP loan, less the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

[See Slide 28 for more details](#)

How may PPP loan proceeds be used?

- Proceeds of a PPP loan may be used for:
 - **Owner compensation replacement**, based on 2019 net profit (defined on Slides [25](#) and [27](#))
 - If you have employees, **employee payroll costs** (defined on Slide [28](#)).
 - Interest payments on business mortgage obligations on real or personal property
 - For instance, the interest on a mortgage loan on office space or a warehouse used to store business equipment or an auto loan for a vehicle used by your business
 - Business rent payments
 - For instance, rent for office space or a warehouse used to store business equipment
 - Business utility payments
 - For instance, cost of electricity at office space or warehouse and gasoline used for driving your business vehicle
 - Interest payments on any other debt obligations incurred before February 15, 2020
 - Refinancing an EIDL loan (discussed on Slides [32 – 37](#)) made between January 31, 2020 and April 3, 2020
- **But** 75% of PPP loan proceeds must be used for payroll costs, which includes owner compensation replacement
- And permissible uses are limited to costs that you claimed as deductions on 2019 Form 1040 Schedule C.

What is owner compensation replacement?

- Owner compensation replacement is based on your 2019 net profit, without taking into account any net profit above \$100,000.
- The amount of owner compensation replacement is found by:
 - **Step 1:** Find your 2019 IRS Form 1040 Schedule C line 31 net profit (or loss) amount (if you have not yet filed a 2019 return, fill it out and compute the value).
 - If you had a net profit amount of over \$100,000, reduce it to \$100,000.
 - If you had a net profit amount of zero or a net loss and you had no employees, you are not eligible for a PPP loan; if you had employees, your owner compensation replacement amount is zero.
 - **Step 2:** Calculate the average monthly net profit amount (divide the amount from Step 1 by 12).
 - **Step 3:** Multiply the average monthly net profit amount from Step 2 by 2.5.

Note: This calculation is not adjusted for any EIDL. See Slide [25](#).

What are employee payroll costs?



- If you have employees, their payroll costs are:
 - Salary, wages, commission or similar compensation
 - Payments of cash tips or equivalent
 - Payments for vacation, parental, family, medical or sick leave
 - Allowance for dismissal or separation
 - Payments required for group health care benefits, including premiums
 - Payment of any retirement benefit
 - Payment of state or local tax assessed on the compensation of employees



- Payroll costs exclude:
 - Cash compensation of any individual employee for any amount in excess of \$100,000 in one year, as prorated for the period between February 15, 2020 and June 30, 2020
 - Any FICA tax or withheld income tax
 - Compensation of any individual whose principal residence is outside the United States
 - Qualified sick leave and family leave wages for which a credit is allowed under the FFCRA (discussed in subsequent slides)
 - Any amounts paid to an independent contractor or sole proprietor other than the borrower

What amount of the loan may be forgiven?

- The loan may be forgiven up to the full principal amount plus accrued interest, subject to certain conditions and limits. The forgiven amount is **nontaxable**.
- The actual amount of loan forgiveness is based on the amounts spent on the following costs during the 8-week period following the day you first receive proceeds of the loan from the lender:
 - Employee payroll costs (maximum amount for salary of \$15,385 per employee, which is the prorated amount for 8 weeks of annual maximum salary coverage of \$100,000), plus covered employee benefits and state employee payroll taxes paid by employer
 - Owner compensation replacement (but limited to 8 weeks of allowable 2019 net profit)
 - Interest during the 8-week period on mortgage obligations incurred before February 15, 2020
 - Rent payments during the 8-week period on leases in force before February 15, 2020
 - Utility payments during the 8-week period under service agreements dated before February 15, 2020
- But see the next slide for requirements and limits on forgivable amounts.

What limits apply to the amounts that may be forgiven?

- At least 75% of the amount forgiven must be for payroll costs, including owner compensation payments.
- For self-employed individuals without employees, the total amount of loan forgiveness is limited to 8 weeks of allowable net profit from the owner's 2019 Form 1040 Schedule C.
- For self-employed individuals with employees, the loan forgiveness amount is limited to 8 weeks of allowable payroll costs per employee plus owner compensation payments (see Slide [25](#)), and may be reduced if the number of employees or employee salaries are lower during the 8-week period following loan disbursement than they were between February 15 and June 30, 2019 or between January 1 and February 29, 2020 (borrower to elect).
 - But if reductions in headcount or salaries made between February 15 and April 26, 2020 are eliminated by June 30, 2020, the loan forgiveness amount will be calculated without taking into account those reductions.
- The loan forgiveness amount is reduced by the amount of any EIDL emergency grant the borrower receives under the COVID-19 EIDL program (described on Slides [32 – 37](#)).

How to apply

- You may want to meet with a Small Business Administration-supported business advisor at a Small Business Development Center. A list of these centers can be found [here](#).
- Submit the required documentation and application found [here](#) to a participating lender.
- Participating lenders can be found [here](#).
- Documentation that lenders may ask for:

Self-Employed Person Without Employees

2019 Form 1040, Schedule C

2019 Form 1099-MISC, if any, for income received

2019 invoice, bank statement or books & records establishing you are self-employed

2020 invoice, bank statement or books & records that cover 2/15/2020 to establish you were in operation on 2/15/2020

Self-Employed Person With Employees

2019 Form 1040, Schedule C

2019 Form(s) 941, or equivalent payroll processor records

2019 state quarterly unemployment insurance tax filings for each quarter in 2019

Evidence of any 2019 payments of employer-paid health insurance contribution or retirement contributions (if applicable)

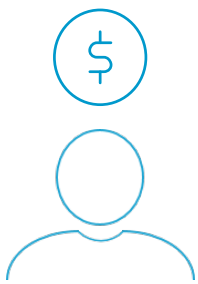
Payroll statement or similar documentation from the pay period that covers 2/15/2020 to establish you were in operation on 2/15/2020

- When applying, keep in mind:
 - Many lenders are only lending to borrowers with whom they have a preexisting relationship.
 - As of April 16, 2020 the PPP ran out of appropriations funding and lenders stopped accepting applications, but Congress increased appropriation funding for the program by \$310 billion, to a total of \$659 billion. PPP loans have been allocated very quickly, and you may have trouble getting a loan, even with the new funding.

Small Business Loans: Economic Injury Disaster Loans and Emergency Grants



EIDLs and Emergency Grants for Self-Employed Individuals



Economic Injury Disaster Loans (EIDLs) are loans by the Small Business Administration to self-employed individuals, in addition to small businesses, located in regions affected by declared disasters. All 50 states have been declared disasters because of the COVID-19 pandemic. **EIDL emergency grants** are advances on EIDLs that do not have to be repaid.

EIDL

- The Small Business Administration offers loans of up to \$2 million to eligible entrepreneurs at a fixed interest rate of 3.75% with a maturity up to 30 years.
- EIDL proceeds must be used for certain purposes related to keeping your business running, described on Slide [35](#).
- Information about the EIDL program can be found [here](#).

EIDL Emergency Grants

- The CARES Act allows an eligible entrepreneur to apply for an [advance](#) on the EIDL (also referred to as an [emergency grant](#)) of up to \$10,000 to be received within three days after the Small Business Administration receives the application.
- The emergency grant does not need to be repaid even if the applicant does not subsequently receive an EIDL.
- More information about the EIDL Emergency Grant program can be found [here](#).

Who is eligible?



- Any individual who operates under a sole proprietorship, with or without employees, or as an independent contractor.
- An eligible individual must also
 - be located in an area affected by the COVID-19 disaster, which currently includes all 50 states, Washington, D.C. and U.S. territories,
 - have suffered a substantial economic injury as a result of the COVID-19 disaster, and
 - have been in operation since January 31, 2020.

What are permitted uses of EIDL proceeds?

EIDL

- Working capital necessary to carry on business operations until resumption of normal business conditions, and
- expenditures necessary to alleviate the specific economic injury (for example, amounts due to suppliers that otherwise cannot be paid because of revenue losses because of COVID-19),
- but *not* expenditures exceeding what the borrower could have provided had the injury not occurred.
- If you have a PPP loan and an EIDL, the proceeds must be used for different purposes.

EIDL Emergency Grant

- Any permitted use for an EIDL, including:
 - providing paid sick leave to employees unable to work because of the direct effect of COVID-19;
 - maintaining payroll to retain employees during business disruptions or substantial slowdowns;
 - meeting increased costs to obtain materials unavailable from the applicant's original source because of interrupted supply chains;
 - making rent or mortgage payments; and
 - repaying obligations that cannot be met because of revenue losses.

What are key terms?

EIDL

- The Small Business Administration generally will **not** require the pledge of collateral to secure an EIDL of \$25,000 or less.
- An applicant is **not** required to provide a personal guaranty for advances and loans of \$200,000 or less.
- An applicant is **not** required to be unable to obtain credit elsewhere.
- The first repayment may be deferred for up to one year.

EIDL Emergency Grant

- An applicant must certify to the Small Business Administration under penalty of perjury that the borrower is an eligible individual.
- The amount of the emergency grant received will be deducted from the forgiveness amount for payroll expenses on a PPP loan if the applicant subsequently receives a PPP loan.

How to apply



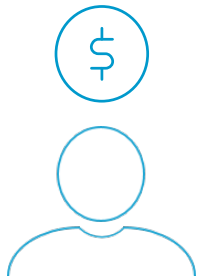
- Apply directly to the Small Business Administration via its website, available [here](#).
- The Small Business Administration is permitted to approve an applicant based solely on his or her credit score without requiring the applicant to submit a tax return or use alternative methods to determine an applicant's ability to repay.
- As of April 16, 2020 the EIDL program ran out of appropriations funding and the Small Business Administration stopped accepting applications, but Congress just increased appropriation funding for the EIDL program by \$50 billion and provided an additional \$10 billion for EIDL Emergency Grants.

Tax Benefits



6

Tax Benefits for Self-Employed Individuals



The CARES Act, the Families First Coronavirus Response Act and certain IRS Notices provide for many tax benefits including allowing you to delay to a later date certain tax filings and payments otherwise due. They also provide several ways that you can access funds in your IRA or 401(k) plans in advantageous ways, as long as you need the money for certain coronavirus-related expenses. There are also certain tax credits that may be available for 2020 income tax.

- The following slides cover:
 - Delayed tax filings
 - Flexible rules related to IRAs and 401(k)s
 - Available tax credits

Delayed Income Tax Filings

Who is eligible?

- Everyone: No requirement that you have been affected by COVID-19.

What does the program allow?

- Any income tax return and payment otherwise due on or after April 1 and before July 15 is delayed until July 15.
- Includes 2019 income tax, estimated 2020 income tax, and any Schedules that are filed as attachments to those forms (for example, Form 1040 Schedule C).
- See [here](#) for a list of IRS Q&As, including a full list of IRS Form numbers (note: the IRS is in the process of updating the Q&As for the most recent guidance).

How do you obtain the benefit?

- File whatever you normally do, just later.
- No need to seek permission.
- If you want additional time for your 2019 taxes (past July 15), you may file for an extension until October 15. However, that is only an extension to file not an extension to pay any taxes due.

Delayed Schedule Self-Employment Filings

Who is eligible?

- Individuals who file Schedule SE self-employment taxes.
- This benefit is not available to those individuals who receive forgiveness for loans under the Paycheck Protection Program.

What does the program allow?

- You may delay the payment of half of 2020 self-employment taxes.
- One half of the delayed amount (that is, 1/4 of 2020 self-employment taxes) is due on December 31, 2021.
- One half of the delayed amount (that is, 1/4 of 2020 self-employment taxes) is due on December 31, 2022.

How do you obtain the benefit?

- File whatever you normally do, just later.
- The IRS released guidance that it will revise Form 941 for employers paying quarterly payroll taxes; it may issue guidance on filing Form SE as well.
- No need to seek permission.

Refundable Payroll Tax Credit

Who is eligible?

- Sole proprietors with employees whose operations were fully or partially suspended by the government because of COVID-19 or whose receipts in a quarter are less than 50% of receipts for the same quarter in the previous year.

What does the program allow?

- Tax credit equal to the employer portion of social security taxes equal to 50% of wages, capped at \$10,000 per employee, for payroll taxes incurred from March 13, 2020 to December 31, 2020.

How do you obtain the benefit?

- Claim a tax credit on Form 941 when you file your 2020 income tax declaration.

IRA and 401(k) – Withdrawals

Who is eligible?

- Individuals diagnosed with COVID-19.
- Individuals whose spouse or dependent is diagnosed with COVID-19.
- Individuals who suffer negative financial impact as a result of COVID-19 because of quarantine, furlough, reduction in hours or closing of business, lack of childcare, or other similar factors described by the Secretary of the Treasury. (The IRS has not yet released guidance on what those other factors are.)

What does the program allow?

- You may withdraw up to \$100,000 in 2020 from your IRA or 401(k) without the usual 10% penalty for withdrawal prior to retirement.
- That money is taxable income, but you may spread the amount over a 3-year period in your income tax filings.

How do you obtain the benefit?

- Contact your IRA or 401(k) administrator directly.
- Plan administrator is permitted to rely on individual's certification that the distribution is eligible.

IRA and 401(k) – Loans

Who is eligible?

- Individuals diagnosed with COVID-19.
- Individuals whose spouse or dependent is diagnosed with COVID-19.
- Individuals who suffer negative financial impact as a result of COVID-19 because of quarantine, furlough, reduction in hours or closing of business, lack of childcare, or other factors described by the Secretary of the Treasury. (The IRS has not yet released guidance on what those other factors are.)

What does the program allow?

- You may borrow \$100,000 or 100% of your vested interest from your IRA or 401(k) (in normal times the limits are \$50,000 and 50%), whichever amount is lower.
- Loans must be taken between March 27 and September 23.
- Repayments of loans from qualified employer plans (including 401(k) plans) that are due between March 27 and September 23 are delayed by one year.

How do you obtain the benefit?

- Contact your IRA or 401(k) administrator directly.
- Plan administrator is permitted to rely on individual's certification that the distribution is eligible.

IRA and 401(k) – Required Minimum Distributions

Who is eligible?

- Anyone with an IRA or 401(k) who is normally required to take minimum distributions because of age or having inherited the IRA.

What does the program allow?

- You do not have to take any required minimum distributions from your IRA or 401(k) in 2020.

How do you obtain the benefit?

- If you haven't set up an automatic distribution, you don't have to do anything; if you don't request a minimum distribution, it is not made.
- If you have already set up automatic minimum distributions that you don't want, speak to your plan administrator.

Tax Credits for Self-Employed Individuals under the Emergency Paid Sick Leave Act

Who is eligible?

- Self-Employed individuals who engage in a trade or business (and not merely passive investments).
- Are unable to work or work remotely (telework) because:
 1. You are under a government mandated quarantine related to COVID-19
 2. You are quarantined because of advice from a health care provider
 3. You experienced COVID-19 symptoms
 4. You are caring for a person eligible under (1) or (2)
 5. You are caring for a child whose school or care provider is closed because of COVID-19, or
 6. You satisfy other conditions prescribed by Secretary of Health and Human Services.

What does the program allow?

- A credit on your 2020 income tax return and a potential reduction in 2020 estimated taxes.
- The credit is calculated on the applicable tax credit worksheet as follows:
 - (1) – (3) in the left column: amount of eligible sick days times the lesser of \$511 or 100% of your daily income
 - (4) – (6) in the left column: amount of eligible sick days times the lesser of \$200 or 67% of your daily income
- Applies to up to 10 sick days taken between April 1 and December 31.
- Daily income is your total 2020 earnings (minus expenses) from your self-employed job divided by 260.
- If you are also eligible because of your status as an employee, your credit will be reduced to avoid a double benefit.

How do you obtain the benefit?

- You may claim these credits for the 2020 taxable year as well as reduce your estimated payments.
- You will be required to provide documentation to demonstrate your eligibility for the credit.

Tax Credits for Self-Employed Individuals under the Emergency Family and Medical Leave Act

Who is eligible?

- Self-Employed individuals who engage in a trade or business (not just passive investments).
- Are unable to work or work remotely (telework) because they are caring for a child whose school or care provider is closed because of COVID-19.

What does the program allow?

- A credit on 2020 income tax return and a potential reduction in 2020 estimated taxes.
- The credit is calculated by amount of eligible sick days times the lesser of \$200 or 67% of your daily income.
- Applies to up to 50 family leave days taken between April 1 and December 31.
- Daily income is your total 2020 earnings (minus expenses) from your self employed job divided by 260.
- If you are also eligible because of your status as an employee, your credit will be reduced to avoid a double benefit.

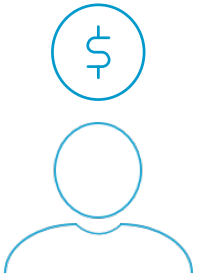
How do you obtain the benefit?

- You may claim these credits for the 2020 taxable year as well as reduce your estimated payments.
- You will be required to provide documentation to demonstrate your eligibility for the credit.

Choices for Self-Employed Individuals



Self-Employed Individuals need to choose between certain benefits



Under some of the programs described above, you may not be able to receive benefits if you have already benefited from another program.

- Self-employed individuals, including independent contractors, are eligible for both forgivable PPP loans and expanded unemployment benefits under the CARES Act. However, you cannot access both benefits at the same time. Slides [50](#) and [51](#) provide an overview of the factors that may affect which program you choose.
- Sole proprietors with employees who take a PPP loan are not eligible for the refundable payroll tax credit described on Slide [42](#).
- Self-employed individuals who receive forgiveness for a PPP loan are not eligible for delayed Schedule SE self-employment tax filings described on Slide [41](#).

Forgivable PPP Loans or Unemployment Benefits?

- Self-employed individuals cannot receive forgivable PPP loans and unemployment benefits at the same time.
- The option you choose depends on a variety of factors, including those shown on the next slide, those covered in the previous PPP and unemployment sections, the timing of benefits, and your individual circumstances and preferences.
- For example, in a simple case,
 - for a self-employed individual in New York with no employees, and no business mortgage, rent, or utility payments, and who has not yet applied for unemployment benefits,
 - the table below compares what you might receive in a forgivable PPP loan and unemployment benefits over an 8-week period if you are eligible for the highest unemployment benefit:

PPP Forgivable Loan (no employees)

- Take your 2019 net profit from Schedule C
- Divide by 52
- Multiply by 8

Unemployment (in New York)

- Maximum benefit per week is \$1104
- Over 8 weeks, the maximum benefit is \$8,832

-
- Generally, if you were a New York resident who could receive a PPP forgivable loan above \$8,832, you could obtain more money for those 8 weeks by applying for the PPP first.
 - You would still be eligible to apply for unemployment after the first 8 weeks. More details on PPP forgivable loans are on Slide [25](#).
-

PPP Loans or Unemployment Benefits?

PPP Loans

- Can get a loan for more than the forgivable amount – the balance needs to be repaid over 2 years @ 1% interest
- Forgiven amount is not taxable at federal level
- Apply through a bank or other eligible lender
- PPP loans have been allocated very quickly, and you may have trouble getting a loan before the money runs out

Unemployment Benefits

- Benefit amounts are fixed
- Benefits are taxable
- Apply through state agency, where they are currently backlogged – you may have trouble getting through

Davis Polk Authors

The principal authors of this visual memo are listed below. If you have any questions regarding the matters covered in this visual memo, please send an email to gig.workers.memo@davispolk.com.

John Banes

Luigi L. De Ghenghi

Randall D. Gynn

Jai R. Massari

Gabriel D. Rosenberg

Margaret E. Tahyar

Mario J. Verdolini

Jane Faulkner

Nancy Marchand

Carol Rodrigues

Tyler X. Senackerib

**Law Clerks Russell Quarles, Dov Sussman, and Brooke Zheng contributed to this memo.*