



# THE FREELANCER'S GUIDE TO THE CARES ACT

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How to Access New Funds and Benefits



## INTRODUCTION

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The Freelance Co-op is a cooperative of creative freelancers who work, create, and build our businesses using shared resources, knowledge, and experience. Studies predict that by 2027, over half of Americans will be freelancers and currently 47% of millennials do at least some freelance or contract work.

The Freelance Co-op provides legal resources, bookkeeping, client advice, marketing, scripts, templates and guides to make creativity sustainable.

This Freelancer's Guide to the CARES Act is compiled from information from the most recent Federal Guidelines, text of the Coronavirus Aid, Relief, and Economic Security Act, The Internal Revenue Service, The Small Business Administration, and the US Chamber of Commerce.

This guidance is intended for US-Based freelancers. If you are or were recently

employed full-time by a company, some of the information contained may not pertain to you. Consult your financial advisor or HR office for information about your specific situation.

As always, Information we share is not a substitute for legal, tax, or financial advice from a professional in any field. We are professionals and we're sharing information related to our expertise. With that said, we are not substitutes for professionals that are up-to-date on legal and financial matters and who know your specific situation.

We also always recommend working with and seeking advice from professionals who are educated about the specifics of your industry, state, country, and other circumstances.

# Section 1: Your Stimulus Check

## Summary

The most talked about section of the CARES Act is the “2020 Recovery Rebates” commonly known as Stimulus Checks.

About 90% of Americans are eligible for this one-time \$1,200 rebate. They are also eligible for an additional \$500 per child.

The stimulus check will be paid based on information from your most recent tax return (2018 or 2019).

## Eligibility

*To qualify to receive a check you must:*

- Be a U.S. resident or citizen
- Have an adjusted gross income under \$75,000 (\$112,500 for head of household and \$150,000 married) — this is based on your most recent PERSONAL tax return (2018 or 2019 if you’ve already filed this year). This number can usually be found on line 8b of your tax return (IRS Form 1040).
- Not be a dependant on someone else’s tax return
- Have a work-eligible Social Security Number

## FREQUENTLY ASKED QUESTION’S

### **When will I see my money?**

Government officials, including President Trump and Treasury Secretary Steven Mnuchin have said that checks will be distributed in about 3 weeks, but those with paper checks may take longer.

This is an extremely optimistic estimate as both the 2008 Stimulus checks from the Bush administration and 2009 checks from the Obama administration took 3-4 months to hit bank accounts for most Americans.

Per the CARES Act, you should receive a notice about how much you received and how it was dispersed. If you receive the notice, but no money, you can contact the IRS per the instructions on the notice.

## What if my Adjusted Gross Income is over \$75,000?

Remember, this is on your personal tax return. If you're a sole proprietor, this should be the amount you made after you deduct eligible business expenses.

The rebate amount is reduced by \$5 for each \$100 that a taxpayer's income exceeds \$75,000 or (\$112,500 for head of household and \$150,000 married). The amount is completely phased-out for single filers with incomes exceeding \$99,000, \$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children. For a typical family of four, the amount is completely phased out for those with adjusted gross incomes exceeding \$218,000.

## What if I haven't filed taxes for 2018 or 2019?

You should file as soon as possible so you can be eligible for the rebate. Contact your tax preparer or file free online through the IRS Free file program.

What if I'm a college student? Homeless? On SSI?

You're probably eligible. More details can be found from the Senate Finance Committee [here](#).

## What if I owe back taxes?

Usually if you owe taxes or other debts, this is taken out of your tax return. But the CARES Act turns off just about all offsets, meaning you'll likely still get the full amount. The only offset that is still enforced is if you owe past due child support that's been reported to the Treasury Department from your state.

## — Section 2: Unemployment Benefits for Freelancers —

### Summary

The CARES Act creates three new Unemployment Insurance Programs. They have confusingly similar names: Pandemic Unemployment Compensation (PUC), Pandemic Emergency Unemployment Compensation (PEUC), and Pandemic Unemployment Assistance (PUA).

*Because I'm a copywriter, I'm going to refer to them a bit differently so that we all know what we're talking about:*

- **Pandemic Unemployment Compensation (PUC)**- We'll call this one "The Money Boost"
- **Pandemic Emergency Unemployment Compensation (PEUC)** – We'll call this one "The Time Boost"
- **Pandemic Unemployment Assistance (PUA)**- This is "*The Eligibility Boost*"

The Money Boost (PUC) – In short, The Money Boost part of the bill adds \$600 per week to whatever Unemployment Insurance you're eligible for through your state. This includes people already receiving Unemployment Insurance through their state and new applicants through the PUA program. As of now, the increased amount is through July 31, 2020.

The Time Boost (PEUC) – This provides an additional 13 weeks of unemployment benefits. Currently, most states only provide unemployment for 6 months (26 weeks). This increases the timeline of benefits to 9 months in most states.

The Eligibility Boost (PUA) – This is the big one for freelancers. It expands who is eligible for unemployment benefits to self-employed workers, including independent contractors, freelancers, workers seeking part-time work, and workers who do not have a long-enough work history to qualify for state UI benefits. This program runs through December 31, 2020 and workers can receive retroactive benefits from January 27, 2020. That means you can apply anytime this year. Workers are eligible for 39 weeks of unemployment insurance.

## Eligibility

Anyone eligible for The Eligibility Boost is eligible for the time and money boosts, so we'll just focus on who's now eligible for Unemployment through PUA.

*Applicants will need to provide self-certification that they are (1) partially or fully unemployed, OR (2) unable and unavailable to work because of one of the following circumstances:*

- They have been diagnosed with COVID-19 or have symptoms of it and are seeking diagnosis
- A member of their household has been diagnosed with COVID-19
- They are providing care for someone diagnosed with COVID-19
- They are providing care for a child or other household member who can't attend school or work because it is closed due to COVID-19
- They are quarantined or have been advised by a health care provider to self-quarantine;
- They were scheduled to start employment and do not have a job or cannot reach their place of employment as a result of a COVID-19 outbreak
- They have become the breadwinner for a household because the head of household has died as a direct result of COVID-19
- They had to quit their job as a direct result of COVID-19
- Their place of employment is closed as a direct result of COVID-19
- They meet other criteria established by the Secretary of Labor

So if you're self-quarantining, have local guidance to quarantine, your kids' school was closed, or your client or place of work is closed, you qualify.

**BIG CAVEAT: You are not eligible for PUA if you can work from home with pay or are receiving paid sick days or paid leave. Undocumented workers also do not qualify.**

## **How to get it**

You'll apply through your State's Department of Labor.

Many states require you to file for unemployment benefits on the web. Some provide toll-free numbers or other ways to obtain assistance in filing.

## **FREQUENTLY ASKED QUESTION'S**

### **How much do I get?**

This varies widely by state. Most states cover about 40-45% of your normal income. You'll get the state's normal unemployment formula plus the \$600 per week "Money Boost."

Some states will send it all in one check and some will send the \$600 "Money Boost" separately

### **If I'm a freelancer without a regular paycheck, how will they calculate what I get?**

Per Congress, the states are instructed to use the Disaster Unemployment Assistance Program formula. There's a calculator on this page that can estimate your benefit.

### **How quick can I get money?**

Some states had a one-week waiting period that's now been waived, but unemployment claims are at the highest level ever — about 5 times the level of the 2008 recession. So state systems were overloaded before this expansion... meaning it could take longer than usual to process your claim.

## Section 3: Business Tax Changes

### Summary

The CARES Act makes select changes to taxes and tax policies in order to ease the burden on businesses impacted by COVID-19.

- Employers, including the self-employed, can delay the payment of the employer portion of the Social Security payroll tax for the remainder of the year and pay back the liability over the next two years.
- You may be able to get a 50% tax credit on wages (up to \$10,000 per employee) for employees that you retain during the COVID-19 crisis if your business was shut down in full or in part. This is to encourage businesses to keep paying employees.
- Businesses that have net operating losses (NOLs) have some limitations relaxed. If your business had an NOL in a tax year beginning in 2018, 2019, or 2020, that NOL can now be carried back five years instead. This may improve cash flow and liquidity for some businesses. Pass-through businesses and sole proprietors will also be able to take advantage of the relaxed NOL limitations.
- Businesses that were due to receive corporate alternative minimum tax (AMT) credits at the end of 2021 can instead claim a refund now, in order to improve cash flow during the COVID-19 emergency.
- On your personal tax return, there's a new deduction for up to \$300 for charitable contributions. Previously, charitable contributions were only available for people who itemized their deductions. This new deduction is for you if you use the standard deduction formula.

### Eligibility

*Businesses are eligible for an employee retention tax credit if:*

1. Your business operations were fully or partially suspended due to a COVID-19 shut-down order; or
2. Gross receipts declined by more than 50% compared to the same quarter in the prior year.

Other eligibility guidelines are still forthcoming from the IRS.

## **How To Get It**

Most of these changes will apply to quarterly or yearly tax filings and guidelines have not been released from the IRS. Speak with your accountant or tax preparer about if you qualify for any of these new programs.

## Section 4: Student Loan Relief

### Summary

There are two major provisions in the CARES Act regarding Student Loans.

First, Until Sept. 30, there will be automatic payment suspensions for any student loan held by the federal government.

Secondly, employers can make student loan payments on behalf of their employees on a tax free basis, up to \$5,250 annually. This means the loan payments would be excluded from the employee's income. So if you have an LLC or Corporation and pay yourself a salary, you can pay your student loans through your company tax-free and it will not count towards your personal income.

For borrowers who withdraw from their school as a result of the coronavirus crisis, the Act requires the Secretary to cancel the borrower's Direct Loan associated with the payment period in which they withdrew.

### Eligibility

- Most federal loans from the last 10 years are eligible for automatic payment suspensions.
- F.F.E.L Loans, Perkins loans, and private loans are not eligible. Although, many private lenders have created their own emergency assistance programs.
- If you pay yourself or other employees a paycheck from an LLC or Corporation, your company is eligible to participate in the employer program from March 27, 2020 through January 21, 2021.

### How To Get It

Most loan servicers will automatically suspend payments and interest of federal loans. You should check your online account to make sure you have no payment due.

Per the bill, you should receive a notice in the next few weeks about your specific loan.

To take advantage of the employer-repayment, contact your tax advisor about how to account for the payments.

## FREQUENTLY ASKED QUESTION'S

### If my payments stop, will interest continue to accrue?

No. The bill says interest will not accrue.

### What if I'm currently behind?

All collections like seizure of tax refunds or wage garnishment should be suspended per the bill.

## Section 5: Other Relief

### Summary

There's a few other provisions in the CARES Act that may apply to your situation.

The deadline to file (and pay) income taxes has been delayed from April 15 to July 15 for filing of 2019 taxes.

The bill puts a temporary, nationwide 120-day eviction moratorium in place with no fees or penalties for nonpayment of residential rent. (Some states have also expanded this program or have their own program, check here for your state)

You qualify for the eviction moratorium if your landlord has a mortgage through Fannie Mae, Freddie Mac and other federal entities.

Menstrual products, over-the-counter medical products, such as drugs and surgical masks, and telemedicine are now eligible for reimbursement through health savings accounts and flexible spending accounts.

## Section 6: New Loans for Your Business

### Summary

There are two main expansions of Small Business Administration Loans and Programs.

First is a new program called the Paycheck Protection Program. This new program sets aside \$350 billion in government-backed loans, and it is modeled after the existing SBA 7(a) loan program.

Paycheck Protection Program loans can be forgiven in whole or part if used for payroll to retain or rehire workers through June 2020.

Secondly, the CARES Act expands eligibility for the SBA's Economic Injury Disaster Loans (EIDLs).

#### *These changes include:*

- EIDLs are now also available to Tribal businesses, cooperatives, non-profits, and individuals operating as sole proprietors or independent contractors.
- EIDLs can be approved by the SBA based solely on an applicant's credit score.
- EIDLs that are smaller than \$200,000 can be approved without a personal guarantee.
- Borrowers can receive a \$10,000 emergency grant cash advance that can be forgiven if spent on paid leave, maintaining payroll, increased costs due to supply chain disruption, mortgage or lease payments or repaying obligations that cannot be met due to revenue losses.

### Eligibility

The Paycheck Protection Program offers loans for small businesses with fewer than 500 employees, select types of businesses with fewer than 1,500 employees, 501(c)(3) non-profits with fewer than 500 workers and some 501(c)(19) veteran organizations.

Additionally, the self-employed, sole proprietors, and freelance and gig economy workers are also eligible to apply. Businesses, even without a personal guarantee or collateral, can get a loan as long as they were operational on February 15, 2020.

The maximum loan amount under the Paycheck Protection Act is \$10 million, with an interest rate no higher than 4%. No personal guarantee or collateral is required for the loan. The lenders are expected to defer fees, principal and interest for no less than six months and no more than one year.

## **How To Get It**

The SBA loans work through a network of lenders. You can use Lender Match, a free online referral tool that connects small businesses with participating SBA-approved lenders within 48 hours.

However, the CARES Act expanded the lending network so more banks, credit unions and lenders can issue those loans.

Check with your local bank or credit union on how to apply for Paycheck Protection Loan (note, I attempted to contact several bankers on Monday, March 30 and they were still waiting on guidance from the SBA.)

You can apply for the Economic Injury Disaster Loans (EIDLs) including the \$10,000 advance grant with a new [streamlined online questionnaire found here](#).

### *Information that you need during the application process includes:*

- Gross revenues for 12 months prior to January 31, 2020
- Cost of Goods Solds/Cost of Services for 12 months prior to January 31, 2020
- Rental Properties lost rents due to the disaster
- Business Details (number of employees, years in business, etc.)
- Ownership information including SSN

Then a loan officer will followup if they have additional questions.

**There have been reports of scams about Economic Injury Disaster Loans. The BEST and ONLY place to apply is through the streamlined online questionnaire found here. Here are some reminders issued through the SBA:**

- **There's no immediate deadline to apply.**
- **There's no fee to apply.**
- **No credit card information is required.**

## FREQUENTLY ASKED QUESTION'S

### Can I get both loans?

Yes, as long as they don't pay for the same expenses. However, be sure to check with your financial advisor or lender before taking both types of loans if you are not sure of the specifics.

## Section 7: Retirement Account Withdrawals

### Summary

The CARES Act Hardship Distribution waives the 10% early withdrawal penalty tax under Internal Revenue Code Section 72(t) on early withdrawals up to \$100,000 from a retirement plan or IRA for an individual.

The bill also permits those individuals to pay tax on the income from the distribution over three years.

This means that you can get emergency cash from your retirement account regardless of your age.

Also, if you are currently on a retirement distribution schedule, you are not required to take a required minimum distribution from any individual retirement accounts or workplace retirement savings plans, like a 401(k).

### Eligibility

*You can have the 10% penalty waived for up to a \$100,000 withdrawal if you:*

1. Are diagnosed with COVID-19;
2. Have a spouse or dependent diagnosed with COVID-19;
3. Experienced adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19; or
4. Other factors as determined by the Treasury Secretary.

So, eligibility criteria number 3 is the big one for most of us.

This change would not affect old-fashioned pensions.

### How to get it

Speak with your retirement account holder or financial adviser on how to withdraw funds. Many financial institutions allow you to process your withdrawal online.