

## CARES Act: Self-Employed Worker Provisions

In recent weeks, COVID-19 has emerged as a global pandemic as defined by the World Health Organization. With “social distancing” measures in place, many businesses have closed, and a record number of Americans have lost their jobs. The longer businesses are closed, and people remain unemployed, the more of a toll it takes on our economy. To help fill this void, the Federal Reserve has taken drastic steps in monetary policy to keep the financial system stable. On March 27<sup>th</sup>, Congress passed the largest economic stimulus package in our country’s history, the “Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020.”

The CARES Act is an estimated \$2 Trillion stimulus package, including nearly \$500 billion in individual rebate checks to Americans, another \$500 billion in support for several severely damaged industries, nearly \$400 billion in tax credits for wages and payroll tax relief, over \$300 billion of support for state and local governments, and almost \$180 billion for various initiatives to support hospitals and the health care system.

Krilogy’s Wealth Intelligence Group has highlighted details specific to the relief for self-employed workers offered under the CARES Act to keep you informed of how this may impact you.

### Self-Employed Worker Provisions

#### **Paid Sick Leave and Family Leave**

Recognizing the burden that may fall on self-employed workers, the CARES Act provides a version of paid sick leave. Key elements are summarized here. Please note that the rules and details of the provisions are still being fine-tuned and may differ in their final form from the information available today.

Paid Sick Leave details, for yourself:

- Delivered in the form of a tax credit
- Available for time taken between April 1 and December 31, 2020
- Maximum of 10 days
- COVID-19 diagnosis not required; applies if you must stay home by governmental authority, or if a health care provider suggests that you should

- Calculation:  $(\text{Average Yearly Income} \div 260)$  OR \$511, whichever is less, multiplied by the number of sick days, up to 10

Paid Sick Leave details, if you’re caring for others:

- Applies if you must stay home to care for someone who must, or is advised to, isolate
- Expected to be more restrictive than sick leave for yourself
- Includes children whose schools or daycare providers aren’t available because of COVID-19
- Calculation:  $((\text{Average Yearly Income} \times .67) \div 260)$  OR \$200, whichever is less, multiplied by the number of sick days, up to 10

Paid Caregiving Leave, for school/daycare unavailability:

- Extended coverage of up to 50 days, to care for children whose schools or daycare providers aren’t available because of COVID-19
- Expected to be more restrictive than sick leave for yourself
- Calculation:  $((\text{Average Yearly Income} \times .67) \div 260)$  OR \$200, whichever is less, multiplied by the number of sick days, up to 50

#### **Pandemic Unemployment Insurance (Self-Employed)**

The CARES Act established a fund for self-employed workers, to cover loss of income for a variety of reasons related to the pandemic.

- Administered through the states; rules will vary
- Apply through the State Unemployment Program where you worked
- Apply for pandemic benefits after qualifying for regular unemployment benefits
- Link to state information: <https://oui.doleta.gov/unemploy/content/sigpros/2010-2019/January2019.pdf>
- Minimum benefit expected to be roughly \$190 per week

#### **Taxes**

In an effort to relieve the tax burden on self-employed workers during the pandemic, the CARES Act relaxes some rules.

- For self-employed workers who pay 100% of employee payroll taxes, payments for half of the Social Security portion can be deferred

- Half due December, 2021 and the remainder due December, 2022
- Ineligible if your small business payroll loans are forgiven
- Deadlines for the April 15 and June 15 estimated tax payments moved to July 15
- Reinstatement of the Net Operating Loss rule, allowing taxpayers who have losses this year or in 2018 or 2019 to use the losses to offset income in previous years

### Health Insurance

The CARES Act recognizes that self-employed workers are particularly vulnerable in this area, and offers some assistance depending on where you live.

- Special enrollment periods opened in states with their own ACA exchanges
  - You may be eligible for new or greater subsidies, due to change in income
  - Federal exchanges are not reopening, as of this writing (38 states affected)
- \$600 per week extra unemployment benefits, and the direct relief payment, are not counted when calculating eligibility for Medicaid in most states

As always, please feel free to contact your Krilogy advisor or advisory team to discuss the above article and how it applies to your unique financial planning situation.

**To read the bill yourself and see how this may apply to your unique situation, it can be found here:**

<https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>

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