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Here's what the relief packages give self-employed workers
Tara Siegel Bernard – [The New York Times]
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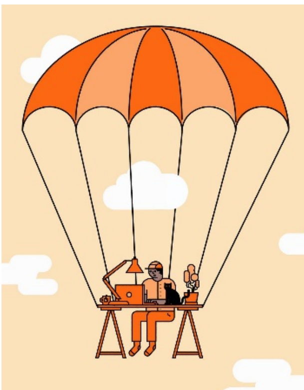

The self-employed often fall into the biggest gaps in the social safety net. But relief programs aimed at helping workers and companies weather the coronavirus outbreak are providing some temporary patches. (Yarek Waszul/The New York Times)

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With freelancers, independent contractors and gig workers among the millions of Americans losing their jobs as the coronavirus chokes the economy, new and expanded benefits are offering them a way to cope.

Below is a look at important parts of the two emergency legislative packages passed in recent weeks, along with other rule changes aimed at workers who prefer to be their own boss.

Paid sick leave and family leave

It's not quite as straight ahead as a traditional sick day, but if you're self-employed you now have the equivalent of paid sick leave, in the form of a tax credit that can reduce your tax burden or result in a refund.

The credit is available for time taken from April 1 through the end of the year and must be claimed on your income tax return for 2020. But the credit can be used to help your cash flow sooner than that (assuming your income hasn't completely dried up): You can reduce your estimated quarterly tax payments by the dollar amount of your leave taken.

You can claim the credit for up to 10 sick days in total and you don't need a coronavirus diagnosis (or even to be ill) to take them. The credit applies if you've been ordered to stay at home by the local, state or federal government or if a health care provider suggested that you isolate yourself.

To calculate your credit, you must determine your average daily income. Take your net earnings (earnings after expenses) and divide that by 260. Then multiply the number of sick days by that figure or $511, whichever is less.

A smaller sick leave credit is available if you're unable to work because you're caring for someone else. The credit covers 67% of your daily earnings, up to $200 a day. The credit covers people caring for someone who has been advised to isolate or who is subject to a general isolation order. It is also available to workers who are caring for a child whose school has been closed or for whom child care is no longer available because of the virus.

Beyond the sick leave credit, self-employed people can take paid caregiving leave if their child's school is closed or their typical child care provider is unavailable because of the outbreak. This works similarly to the sick leave credit — 67% of your average daily earnings, up to $200 a day. But the caregiving leave can be taken for 50 days.

While the 10 days of sick leave can be used for more reasons, family leave is more restrictive, according to guidance from the Department of Labor, and should be used accordingly.

Unemployment insurance

The federal response to the pandemic includes an expansion of unemployment benefits to self-employed people who typically are not eligible.

There is an additional pot of money to draw from for these workers through the so-called pandemic unemployment assistance program, which will be administered through the states. It covers a loss of income for a variety of coronavirus-related reasons, from having to care for a child whose school has been closed to a workplace that has had to shut down.

(Whether it's better for you to take the caregiving leave credit or unemployment to care for your child will depend on your circumstances. A representative for the Labor Department said it was working to clarify the rules.)

Self-employed workers should apply for benefits through the unemployment program in the state where they worked, but it may not be easy. Many states are modifying their systems and retraining staff to accommodate newly eligible self-employed workers.

For applicants to qualify for pandemic benefits, the state must first determine that they are ineligible for regular benefits. Each state will have its own process for applicants to follow. In New York, for example, self-employed applicants cannot apply for pandemic unemployment assistance until they have applied and been rejected for regular unemployment benefits, according to a spokeswoman for the State Department of Labor.

Once you successfully file, the amount you receive will depend on your state. But under the pandemic program, there will be a minimum benefit equal to one-half the state's average weekly unemployment insurance amount. That comes out to about $190 a week nationally, on average, according to the National Employment Law Project.

All workers receiving unemployment benefits — including the self-employed — are also eligible for the extra $600 weekly payment being offered by the federal government through the end of July. (Even qualifying for $1 of benefits means you will receive the full $600 as long as you remain eligible.)

How long your benefits last also varies by state. Most states offer 26 weeks, but others offer less. Under the second economic relief bill, most traditional workers are generally eligible for an added 13 weeks after their state-level benefit runs out. Self-employed people drawing benefits from the pandemic program may receive up to 39 weeks total, in an effort to mirror what traditional employees receive, according to a senior official at the Labor Department. If a state enters a period of high unemployment, triggering what are known as extended benefits, self-employed people may receive up to seven additional weeks.

Eligible workers may receive retroactive benefits for weeks of employment dating back to Jan. 27. The program runs until Dec. 31 unless it's extended.

Certain gig workers — Lyft or Uber drivers, for example — should qualify for regular unemployment benefits in some places because of the broad definitions of employment under state laws, according to the National Employment Law Project. But it's often difficult for these gig workers to claim regular benefits and frequently takes many months. That could potentially create a bottleneck in the application process or shut out certain workers altogether. (Remember, to become eligible for pandemic benefits, workers must first be ineligible for regular unemployment.) In states that have passed formal exemptions for drivers or similar workers, however, the pandemic fund is supposed to serve as a backstop.

Workers in the country illegally will not qualify for unemployment benefits. Individuals must be authorized to work to be eligible for the pandemic program, according to the National Employment Law Project.

Taxes

A couple of tax rules have been relaxed, which should help self-employed workers keep more money in their pockets right now.

Most businesses split the cost of payroll taxes — which pay for Social Security and Medicaid — with employees, but self-employed workers who earn more than $400 in net profit annually are generally responsible for the entire amount. These so-called selfemployment taxes generally equal about 15% of a self-employed person's income; 12.4% of that (applied to the first $137,700 of wages in 2020) pays for Social Security.

But the new rules allow these workers to avoid having to pay half the Social Security portion now. They can wait and pay it in two installments, half at the end of 2021 and the remainder at the end of 2022.

Some people will be ineligible: If you received small-business loans to fund payroll costs that were forgiven as part of the new law, you can't defer any tax payments.

Another deadline has also been pushed back: Self-employed people generally need to make estimated quarterly income tax payments, but the deadline for the first one has been postponed to July 15 from April 15.

Then there's a tax rule change: The new law lets individual and corporate taxpayers who lose money this year (or have losses from 2018 or 2019) to use those losses to offset income over the five previous years, according to lawyers at Akin Gump, a law firm. This was allowed in years past but was reversed in 2017.

Health insurance

Self-employed people who can no longer afford the policies they already have or who want to buy coverage may now have some more options.

Eleven states and the District of Columbia have established special enrollment periods to allow people to obtain new insurance coverage under the Affordable Care Act. But the Trump administration recently decided against reopening the federal Healthcare.gov marketplaces to new customers. Those marketplaces are used in 38 states.

If your income has dwindled to almost nothing, you will most likely be eligible for the federal-state health insurance program known as Medicaid in 36 states and the District of Columbia. Because of the Affordable Care Act, most states now allow all residents to qualify for Medicaid if their household's monthly income is below a certain threshold — around $1,400 a month for a single person or $2,950 for a family of four. That calculation should include any normal unemployment benefits you are receiving but not the additional $600 a week being paid temporarily and not the direct stimulus payment authorized under the new relief legislation.

If your income is too high and you live in a state where the marketplace remains open, you may qualify for a new plan with substantial subsidies. And if you already have a marketplace plan but your income has fallen, you can go back into the system — even outside an open enrollment period — and adjust your income, which may result in greater subsidies.

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