



IMPORTANT DISCLAIMER:

The information provided above is from the CARES Act, PA Unemployment website and other online sources. Foresight Business Solutions is not advising that you should file for unemployment and is not advocating that you are eligible for unemployment benefits. The calculations provided are for example only as everyone's situation is different. Your state unemployment office will ultimately determine your benefits. For any specific questions you should contact your state unemployment office. Everyone has a unique situation and may or may not be eligible for unemployment benefits as determined by their state unemployment office.

Expanded Unemployment Insurance Benefits

What is it?

The CARES Act provides for federal unemployment assistance to individuals directly and indirectly affected by COVID-19, including individuals who are not typically eligible for unemployment assistance such as independent contractors, self-employed and those with limited work histories. Individuals who are able to telework with pay and who are receiving paid sick leave or other paid benefits are not eligible for assistance under the Act.

You may be eligible if:

- Your employer temporarily closes or goes out of business because of COVID-19
- Your employer reduces your hours because of COVID-19
- You have been told not to work because your employer feels you might get or spread COVID-19
- You have been told to quarantine or self-isolate, or live/work in a county under government-recommended mitigation efforts

Assistance is available to covered individuals for weeks of full unemployment, partial unemployment or inability to work from January 27, 2020 to December 30, 2020, for up to 39 weeks. The Act provides for weekly benefits of \$600 (fully funded by the federal government), in addition to the weekly benefit amount authorized under state law, and incentivizes states to waive the week-long waiting period for the initial receipt of benefits. The Act also provides for up to 13 weeks of emergency unemployment benefits for eligible individuals who have exhausted the 39 weeks of benefits and remain unemployed.



How it works

An applicant would file a claim for unemployment insurance using the state's website. The Federal government's increased portion of the benefits will be paid through your state's unemployment claim.

Here is Pennsylvania's website as an example >>

[PA Unemployment](#) (Make an Initial Claim). If Self-Employed see below.

[PA COVID-19 Unemployment Information](#)

Follow the steps of the online application.

Note > Pennsylvania is waiving the one week waiting period, therefore, eligible claimants may receive benefits for the first week they are unemployed. There is of course a lag from when you can expect your first check.

SELF-EMPLOYED

Under the CARES Act, Self-Employed individuals are eligible for unemployment benefits under the same eligibility requirements as everyone else. Based on the definition of Self-Employed, we believe it to include independent contractors and non-passive / active individuals that own corporations or partnerships that are subject to self-employment tax in the form of wages, guaranteed payments or K1 business income.

The CARES Act, also includes another program called the Paycheck Protection Program (PPP) that allows self-employed individuals (business owners and independent contractors) to receive a loan from a bank (backed by the government) to cover lost compensation, whereas, the loan may be forgiven if the money is spent on payroll costs and other costs such as rent over an 8 week period. You cannot participate in both the PPP loan and unemployment. Everyone's situation is different, please consult with your Foresight accountant on what may be a better solution for you.

As of March 31, 2020, Pennsylvania is working on a separate online application for 'Self-Employed and business owners. See the PA Website wording below.

Self-employed Federal CARES Update

The federal CARES Act will provide unemployment benefits to the self-employed, gig workers, and other individuals who previously were not eligible for unemployment. Special instructions will be provided to these individuals. At this time, you should NOT file a claim through the existing online system or phone number if you are not currently eligible for unemployment.



For Independent Contractors

For those of you that are sole proprietors or single member LLCs that report your self-employment income on your 1040 via Schedule C, you are eligible for unemployment benefits under the same eligibility requirements as everyone else.

As part of the PA online application process, you are typically asked to provide your 'compensation'. What is the correct earnings amount to use?

The CARES Act refers back to the Code of Federal Regulations (CFR §625.6 Weekly amount). The general rule is to use your average weekly compensation based off of your 2019 filed income tax return (Your self-employment net income from your 2019 Schedule C – line 31).

Example > 2019 Schedule C Income, Line 31 is \$50,000 ($\$50,000 / 52 \text{ weeks} = \961 per week)

If you have not filed your 2019 income tax return, it may make sense to file as soon as possible to determine your compensation amount. If you are unable to file your 2019 income tax return quickly, then the amount will ultimately be calculated by the PA Unemployment but the benefit will approximate 50% of the average weekly payment of regular compensation in the State. You will be paid your approved state amount plus a federal amount as per the CARES Act.

For Business Owners (Taxed as Corporations)

For those of you that are shareholders of corporations, we believe you may be eligible for unemployment benefits under the same eligibility requirements as everyone else.

As part of the PA online application process, you are typically asked to provide your 'compensation'. What is the correct earnings amount to use?

Since shareholders that work in the business are treated as an employee of the company. It seems to be appropriate to use your actual wages for this section.

For Business Owners (Taxed as Partnerships)

For those of you that are managing members or general partners (non-passive owners), we believe you may be eligible for unemployment benefits under the same eligibility requirements as everyone else.



As part of the PA online application process, you are typically asked to provide your 'compensation'. What is the correct earnings amount to use?

The CARES Act refers back to the Code of Federal Regulations (CFR §625.6 Weekly amount). The general rule is to use your average weekly compensation based off of your 2019 filed income tax return (this would include you K1 business income subject to self-employment tax and your guaranteed payments).

Example > 2019 K1 SE business income, K1 guaranteed payments is \$40,000 plus \$10,000 for a total of \$50,000 ($\$50,000 / 52 \text{ weeks} = \961 per week)

If you have not filed your 2019 income tax return, it may make sense to file as soon as possible to determine your compensation amount. If you are unable to file your 2019 income tax return quickly, then the amount will ultimately be calculated by the PA Unemployment but the benefit will approximate 50% of the average weekly payment of regular compensation in the State. You will be paid your approved state amount plus a federal amount as per the CARES Act.