

Financial Relief for Independent Contractors and Other Self-Employed Individuals

By Bryan Decker, CPA, Partner

Independent contractors and other self-employed individuals (also referred to as independent contractors) may be significantly impacted by the Covid-19 crisis. Independent contractors could find their work disappear without notice. Here are some ways the government is trying to assist independent contractors during this financial and public health crisis.

Paycheck Protection Program Loan

The Paycheck Protection Program (PPP) allows independent contractors to apply for a loan equal to 2.5 times their average monthly compensation based on a maximum annual compensation of \$100,000 or less. The loan is eligible for forgiveness if the proceeds of the loan are used for compensation for the independent contractor, payroll costs, rent, utilities, or interest on debt incurred before February 15, 2020.

Independent contractors may apply for the loan from a bank approved to issue the loans by the [SBA](#) beginning on April 10, 2020. It is recommended that independent contractors apply for the PPP Loan through their current financial institution, if possible.

Payroll Tax Deferral

The independent contractor can defer payment of the Social Security portion of their deductible portion of self-employment tax for the period March 27, 2020 to December 31, 2020. The deferred tax payment will then be due in two payments equal to 50% of the deferred tax on December 31, 2021 and December 31, 2022. An independent contractor who obtains a PPP Loan forgiveness is not eligible to utilize this deferral.

Early Retirement Distributions

Distributions up to \$100,000 taken from retirement accounts by persons before they attain the age of 59½ during 2020 for coronavirus-related reasons will not be subject to the 10% early distribution penalty. Individuals who take such distributions can elect to include the distribution in income over three years beginning with 2020. Such distributions can be contributed back to the plan within the three-year period and be treated as a tax-free rollover. Coronavirus-related reasons include, but are not limited to, being diagnosed with COVID-19, having a spouse or dependent diagnosed with COVID-19, and/or experiencing adverse financial consequences due to COVID-19-related reasons.

Tax Payment Deadlines Extended

All federal income tax payments and estimates due on April 15, 2020 have been extended to July 15, 2020.

Contact Us

Visit our [COVID-19 Resource Center](#) for more news and insights on related topics, including [Self-Employed: Am I Eligible for Unemployment Compensation Due to Covid-19?](#)

PKF O'Connor Davies is monitoring the situation regarding federal financial assistance. If you have any questions regarding any of the programs mentioned above or any other issues, please contact the PKF O'Connor Davies partner overseeing your account or contact:

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