

COVID DISASTER RELIEF WORKSHOP - CONCEPTS AND ISSUES



The purpose of these COVID-19 Federal disaster relief funds is to stabilize the economy.

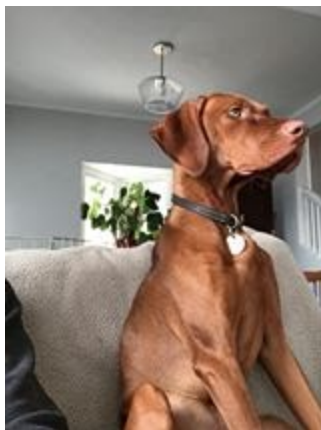
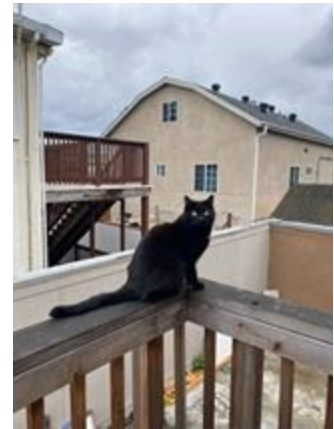
The primary funding strategy is to pay businesses to continue to pay their workers, rather than paying workers directly. Businesses get paid based on recent payroll expenses.

Economic Impact Payments are currently the only funds that go directly to people.



Loan Forgiveness and other tax credits are granted for payments to workers for the labor they were being paid to do, prior to COVID-19, with the goal of employment continuity and/or re-hiring.

Other “forgivable” uses of loan funds are for facility expenses: rent, utilities, mortgage interest on business property, not personal use property. If your home is also your place of businesses, you **should** be able to count some of that expense towards loan forgiveness.



For many businesses, including 501(c)3 non-profits, the relationship between the Business entity and the Worker is distinct: they are entirely separate. Customers pay the Business for products and/or services. The business has its own Tax ID number, name, and formal documentation of its founding and continued existence. The Business pays the Worker an agreed upon hourly rate for hours worked, or a salary for an agreed upon number of hours worked. This is the structure that most of these funding programs are designed for.

This is not the structure everyone uses. What if you are different? How does that work with these funding programs?

COVID DISASTER RELIEF WORKSHOP - CONCEPTS AND ISSUES

Alternate Business - Worker Relationship Structures



Worker-Owned Partnership or Cooperative (unincorporated)

The Business is owned and operated by multiple workers who get paid for their labor by the business

Issues: Are the worker/owners paid as employees or as contractors? Are payments reported for tax purposes? Is there a formal partnership agreement?



Sole Proprietor / Self-Employed

The Business and worker are one and the same

Issues: amount of loan eligibility; mixed business/personal use of facilities; under-reporting income for tax purposes; creative and/or minimalist record-keeping and documentation of business income and expense



Informally Organized Group

There is no official business entity.

Issues: loan eligibility, bank accounts and legal contracts (e.g. leases), are often in one member's name and associated with that individual; creative and/or minimalist record-keeping and documentation of business income and expense

COVID DISASTER RELIEF WORKSHOP - CONCEPTS AND ISSUES

Federal Emergency Funds for COVID-19 – Issues and Questions

The following are issues and questions about these funds that are potentially relevant to this community:

The Funds

- Economic Impact Payments (the \$1200 checks)
- FFCRA refundable paid sick leave and child care leave (advance payment available)
- EIDL Loans (through the SBA, includes \$10,000 quick loan)
- PPP Loans (through a bank or credit union or other private lender)

Economic Impact Payments

- What if you haven't filed taxes in the past two years because you expect to owe money you can't afford to pay?
- What if you have moved recently or have no fixed or legal address?
- What if you haven't filed taxes because you made 0 or negative income?

FFCRA

- Workers paid as 1099 contractors and not employees
- Workers converted to employee status as of January 1, 2020 due to AB5 law
- Retroactive re-classification of contractors to employee status -- can we do this?
- Estimating amount eligible for paid sick leave for "on-call" workers

EIDL Loans

- Business entity-level issues with alternative ownership/worker structures
- Determining expenses eligible for loan forgiveness
- Missing documentation re financials, tax returns
- Paying existing debt

PPP Loans

- Are you ineligible if you have only 1099 contractors and no employees?
- Self-employed people: how to calculate loan amount?
- What if you have more than one business under your name/Tax ID?
- Tax filings and official financial records are not up-to-date or are totally non-existent
- Recent staffing changes in 2020 due to AB5
- No existing business banking relationship