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Self-Employed? Here's What You Need to Know About the Covid-19 Sick and Family Leave Tax Credits

By Mark Bernazzani

You probably already know that the Coronavirus Aid, Relief, and Economic Security Act – aka the CARES Act – passed by Congress in March 2020 included \$2.2 trillion in economic stimulus like the \$1,200 direct stimulus payments that went out to millions of Americans, increased unemployment benefits and created the Paycheck Protection Program to support small businesses.

But one aspect of the federal government's response to the pandemic that has gone largely overlooked for the last year is related to the tax credits it created for self-employed individuals: one for Covid-related sick leave and another for family leave requirements.

Under the terms of the Families First Coronavirus Response Act (FFCRA), also passed last March and recently renewed, these credits allow eligible self-employed individuals who are unable to work or have to care for a family member due to Covid-19 to claim refundable tax credits to offset their federal income tax. Per [the IRS](#), depending on your individual circumstances, these credits are equal to either your qualified sick leave or family leave amount.

Who qualifies?

We've noticed that a lot of self-employed individuals and even their tax preparers don't know about these and are missing their value to taxpayers. That's a shame because these tax credits that can be a very valuable benefit if you're self-employed, and eligibility depends on how Covid impacted your business.

Did your self-employment business suffer last year as a result of a federal, state or local lockdown order?

Did a medical provider advise you to self-quarantine due to Covid-19 concerns?

Did you have to stay home to help treat a family member who was suffering from Covid-related complications or who was waiting on test results?

Were your kids at home because their school or daycare was closed due to Covid-19 precautions?

If any of those answers is "yes" you can likely claim one of these credits, which are a dollar-for-dollar refundable tax credit worth up to \$15,000. You can even elect to calculate the credit based of your 2019 self-employment income, if that figure is higher and more beneficial for you, from a tax standpoint.



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How much is each credit worth?

The IRS calculates the credit value based on the amount of time each self-employed worker was unable to work due to Covid-19.

The **qualified sick leave equivalent amount** is equal to “the number of days during the taxable year that the individual cannot perform services in any trade or business” due to illness or taking precautions due to Covid-19. Take that number and multiply it by the lesser of \$511 or 100% of your “average daily self-employment income” and you’ll get your credit amount.

If you couldn’t work because you were caring for someone else in quarantine, caring for a child whose school was closed, or dealing with other Covid-related complications, the qualified sick leave equivalent amount is based on those days multiplied by the lesser of \$200 or 67% of your average daily self-employment income.

In either case, the maximum number of sick leave equivalent days you can claim is 10. This has the potential to be worth \$2,000 - \$5,110 in a refundable tax credit.

The **qualified family leave equivalent amount** is similar and multiplied by the lesser of \$200 or 67% of your average daily income, available for up to 50 days. This credit could be worth up to \$10,000 if your business was impacted due to needing to provide care for a dependent whose school or daycare was closed.

And yes, you can claim both the sick leave and family leave credits simultaneously.

What if I already filed my 2020 tax return?

If you already filed your 2020 tax return you may be able to file an amended return to claim either or both of the credits and ask for a refund.

Tax planning for the self-employed

There are a number of new tax law changes that directly impact the 2020 tax year. That’s why it’s always important not to assume that TurboTax or your tax preparer is versed on all of the changes. They might not know what you’re eligible for under the new laws, and you’ll end up leaving money on the table.

This is just one of the creative ways that self-employed taxpayers can lower their tax liability with proactive tax planning. Please reach out to learn more.