



The Owner-Operator's Guide to the **CARES ACT**

Prepared by



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INTRODUCTION

On March 27, 2020, President Trump signed the \$2 Trillion “Coronavirus Aid, Relief, and Economic Security Act” (the CARES Act). The CARES Act includes public health spending to confront the COVID-19 pandemic, cash relief for individual citizens, a broad lending program for small businesses, and targeted relief for hard-hit industries.

The team at ATBS has analyzed the 880-page document in order to summarize key portions of the Act that will be relevant to owner-operator truck drivers. We will continue to update this eBook with relevant clarifications as more information becomes available.

The bottom line is that the CARES Act could provide the average independent contractor anywhere from \$1,200 to \$25,000 of economic stimulus relief based on the various programs listed below.

For more information about how this stimulus package could impact you, please let us know by clicking on one of the links at the end of this eBook.

TAX RELIEF STIMULUS CHECK

The stimulus check is designed as a 2020 refundable tax credit claimed on a taxpayer's 2020 tax filings. The stimulus checks going out are an advanced payment of a new 2020 tax credit. The tax credit will be reconciled to the payment received when filing your 2020 tax return.

Stimulus Check Amount:

- Single: \$1,200
- Married Filing Jointly: \$2,400
- Each Qualifying Dependent Under Age 17: \$500

Phaseout is \$5 per \$100 for adjusted gross income above the following amounts:

- Single Filers: \$75,000+
- Head of Household Filers: \$112,500+
- Married Filing Jointly: \$150,000+

Taxpayers with the following adjusted gross income are completely phased out of this benefit:

- Single Filers: \$99,000+
- Head of Household Filers: \$136,500+
- Married Filing Jointly: \$198,000+

The phaseout limits are increased by \$10,000 for each eligible child.

Stimulus Check Qualifications:

Stimulus check payment amounts will be based on your 2018 adjusted gross income, filing status, and eligible children. If you have already filed your 2019 return, that information will be used instead. If you are entitled to a larger credit based on your 2020 tax return, you can claim a refundable tax credit amount on your 2020 tax return. If you are entitled to a smaller credit, it currently appears the IRS will permit you to keep the amount of the stimulus check you received and you will not have to repay it. However, it is possible this could change.

In order to receive the stimulus check, additional qualifications include:

- You must be a citizen or resident alien
- You must have a Social Security Number (includes children)
- You cannot be eligible to be claimed as a dependent
- Estates and Trusts do not qualify

Timing of Checks:

The IRS has announced they will begin to distribute checks around April 21, 2020, for everyone who has filed a 2018 or 2019 tax return. If you haven't filed a 2018 or 2019 return, the IRS will send your check after you have filed your return.

Stimulus Check Frequently Asked Questions:

I still need to file a tax return. How long are the economic impact payments available?

- For those who have not yet started their 2018 or 2019 tax return, these economic impact payments will be available throughout the rest of 2020.

What if I don't qualify, but I have children?

- The child refundable tax credit is a flat \$500 but the phaseout limitations still apply (A child, under age 17, adds \$10,000 to the AGI phaseout).

What if I don't qualify based on my 2018 or 2019 adjusted gross income?

- You will not receive a stimulus check for the refundable tax credit.

What if I didn't qualify based on 2018 or 2019 adjusted gross income, but when I file my 2020 taxes, I do qualify?

- The refundable tax credit will be calculated when preparing your tax return and you will receive the benefit when you file your 2020 tax return.

What if I received a reduced amount of the refundable tax credit because of phase-out rules, but in 2020 I qualify for the full or an additional amount of refundable tax credit that I didn't originally receive?

- The refundable tax credit will be calculated when determining your tax liability for 2020 and you will receive the benefit when you file your 2020 return.

What if I don't qualify, but I got a check?

- At this time, it appears that the IRS will not be attempting to collect overpayments of the refundable tax credit if you qualify on your 2019 return, but not on your 2020 return.

Is this stimulus check taxable income in 2020?

- No.

How can I set up direct deposit of the check?

- In the coming weeks, the Treasury plans to develop a web-based portal for individuals to provide their banking information to the IRS online so that individuals can receive payments immediately as opposed to checks in the mail.

What if I have a baby on the way in 2020?

- Children born in 2020 will not get a stimulus of \$500 during 2020, but will when parents file their 2020 tax return.

What if I owe back taxes?

- If you owe back taxes, the IRS will still issue you a stimulus check.

Stimulus Check Examples:

If you file as a single adult and your 2019 Adjusted Gross Income (AGI) is \$75,000 or less then you will receive the full stimulus amount of \$1,200 as shown in the example below:

Joe Trucker		Stimulus Amount
Joe's Filing Status	Single Adult	\$1,200
Adjusted Gross Income	\$55,000	
	Total Stimulus Amount	\$1,200

Using the same example with 2 adults that file as Married Filing Jointly would look like this:

Joe & Mary Trucker		Stimulus Amount
Joe's Filing Status	Married Filing Joint	\$1,200
Mary's Filing Status	Married Filing Joint	\$1,200
Adjusted Gross Income	\$110,000	
	Total Stimulus Amount	\$2,400

If you have a child that you claim as a dependent on your tax return and that child is under age 17, you will receive an additional \$500 for each child. We've provided an example of what your stimulus would be if you have two children:

The Trucker Family		Stimulus Amount
Joe's Filing Status	Married Filing Joint	\$1,200
Mary's Filing Status	Married Filing Joint	\$1,200
Joe Jr.	Child Dependent	\$500
Mary Jr.	Child Dependent	\$500
Adjusted Gross Income	\$110,000	
	Total Stimulus Amount	\$3,400

If you need help with taxes or the Payroll Protection Program, please click on the link below that applies to you:

I AM AN OWNER-OPERATOR, I HAVE FILED MY 2018 OR 2019 TAX RETURN, AND I HAVE A COMPLETED 2019 PROFIT & LOSS STATEMENT.

I AM AN OWNER-OPERATOR, BUT HAVE INCOMPLETE 2018 OR 2019 TAXES AND/OR PROFIT & LOSS STATEMENTS.

I AM A COMPANY DRIVER AND WILL FILE A W2 TAX RETURN

ESTIMATED TAX PAYMENTS

The first quarter 2020 estimated income tax payment is postponed from April 15, 2020, to July 15, 2020. The second quarter 2020 estimated income tax payment is still due on June 15, 2020. Currently, based on IRS guidance, it appears that the third and fourth quarter due dates, September 15, 2020, and January 15, 2021, respectively, remain unchanged.

PAYROLL PROTECTION PROGRAM

There are 350 Billion Dollars specifically allocated to the Payroll Protection Program (PPP). The goal of the PPP is to help small businesses (independent truck drivers) maintain and pay themselves and employees during the next two months, while the American economy is essentially shut down. Through the Small Business Administration (SBA), the PPP will lend the lesser of \$10 million or 2.5

times the average monthly payroll, during the 1-year period prior to the date of the loan. For sole proprietors, independent contractors, and self-employed individuals payroll is determined as:

“The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as prorated for the covered period.

Loan proceeds may be used to pay for costs of the workforce and keeping the doors open, including payroll costs, costs related to the continuation of group health care benefits, mortgage payments, rent, utilities, and interest on any other debt obligations that were incurred before February 15, 2020.”

Loan stipulations:

- Payment of principal, interest, and fees are deferred for at least 6 months but not more than 1 year.
- No prepayment penalty.
- No personal guarantee or collateral required.
- Unless the loan proceeds are used for a non-authorized purpose, the SBA will have no recourse to the shareholders, members, or partners of the business for nonpayment of the loan.

Loan Forgiveness:

Loans taken to pay payroll costs, interest payments on commercial building mortgages entered into before February 15, 2020, rent payments on a commercial building lease entered into before February 15, 2020, and covered utility payments will be forgiven based on the number of employees and employee wages that are not reduced. Any amount of loan forgiveness is excluded from taxable income.



Reductions in Loan Forgiveness – Number of Employees:

The amount of loan forgiveness available to a business will be reduced if the business fails to maintain the same level of full-time equivalent employees (FTEs) as it employed during certain time periods. The loan forgiveness will be reduced by multiplying the loan amount (L) by the ratio of the reduced number of FTEs during the covered period (A) divided by one of the following:

- (B1) The average number of FTEs between February 15, 2019, and June 30, 2019;
- (B2) The average number of FTEs between January 1, 2020, and February 29, 2020; or
- (B3) For seasonal employers, the average number of FTEs per month between February 15, 2019, and June 30, 2019.

$$L \times A / (B1, B2, \text{ or } B3) = \text{Loan Forgiveness Reduction}$$

Reductions in Loan Forgiveness – Salary and Wages:

Loan forgiveness is also reduced by the amount of any reduction greater than 25% during the Covered Period of the wages an employee was paid during the most recent full quarter the employee received wages, and only for those employees who were paid an annualized salary of \$100,000 or less during any single pay period during 2019.

Documentation Requirements:

1. Certify that current economic uncertainty makes this loan necessary for the ongoing operations of your business
2. 2019 or 2018 Tax Return
3. Employer ID Number or Social Security Number
4. 2019 Complete Profit and Loss Statement showing net earnings for Sole Proprietor
5. 2019 and 2020 Payroll Records if employees were paid in the business

Payroll Protection Program Examples:

Joe Trucker earned \$65,000 net income before taxes in 2019 from his business. Joe Trucker is eligible for a \$13,500 PPP loan from the SBA. If Joe Trucker uses the \$13,500 to pay himself over the next 8 weeks (\$1,687.50/wk) while still running his business, he can then apply for loan forgiveness and the \$13,500 will be his money to keep tax free.

PERSONAL TAX INCENTIVES

Below are a number of updates to tax incentives included with the CARES Act:

- The 10% penalty for early withdrawal of retirement funds will be waived during 2020. This applies to any 401(k) that you might have.
- Distributions from retirement plans are still considered taxable income, however, they can be repaid over 3 years (2020, 2021, 2022) without regard to annual contribution limits.
- Minimum distribution requirements are waived during 2020.
- There is a new above the line deduction for charitable contributions, not to exceed \$300. Taxpayers are not required to itemize to benefit from the deduction. An above-the-line deduction is a deduction that reduces adjusted gross income. Examples are: retirement contributions, health savings account contributions, educator expenses, and student loan interest.

Need help with your taxes? Call 866-920-2827

SMALL BUSINESS TAX INCENTIVES

Net operating losses (NOL) that arose in 2018, 2019, or 2020 now have a 5-year carryback (dating back to 2013, NOL carrybacks were eliminated under the Tax Cuts and Jobs Act for all business other than farming). The 80% limitation for NOLs arising prior to January 1, 2021, has been eliminated.

NEGATIVE CREDIT REPORTING RELIEF

If you are struggling to make payments on credit cards and loans during this time, there is good news for you. Borrowers who do not make a payment or defer a payment during the COVID-19 “covered period” (beginning January 31, 2020, and expiring 120 days after the National Emergency has terminated) will be reported as “current” on their credit reports. As a result, credit scores will not be negatively impacted. However, this does not apply to late or missed payments prior to January 31, 2020.

EVICTION AND FORECLOSURE RELIEF

As of March 18, 2020 mortgage servicers cannot execute a foreclosure-related eviction or foreclosure sale for 60 days from March 18, 2020.

As of March 27, 2020, borrowers can request mortgage forbearance allowing 180 days before a payment must be made. Homeowners can

request an additional 180 days of mortgage forbearance totaling 360 days. The request must be made between March 27, 2020 and the sooner of 12/31/2020 or the termination of the national emergency.

Eviction and Foreclosure Relief Qualifications:

Borrowers with federally-backed mortgages who claim they were “harmed by the Coronavirus outbreak” are eligible to use this benefit. This includes “multi-family borrowers” as defined by the CARES Act.

UNEMPLOYMENT BENEFITS

Unemployment insurance benefits will increase by an additional \$600 per week for up to four months and the duration of benefits has been extended to 39 weeks. Additionally, the waiting period to receive benefits has been waived. Under this stimulus relief package, independent contractors, such as owner-operator truck drivers, are also eligible to receive unemployment benefits.

Unemployment Benefit Qualifications:

Employees and Independent Contractors are eligible to receive benefits.

Timing of Unemployment Benefits:

The new benefits will be available from January 27, 2020, to December 31, 2020.

SUMMARY

In conclusion, all drivers in the trucking industry can benefit from the assistance provided in the CARES Act. As mentioned previously, if you need help with taxes or the Payroll Protection Program, please click on the link below that applies to you:

**I AM AN OWNER-OPERATOR, I
HAVE FILED MY 2018 OR 2019 TAX
RETURN, AND I HAVE A COMPLETED
2019 PROFIT & LOSS STATEMENT.**

**I AM AN OWNER-OPERATOR, BUT
HAVE INCOMPLETE 2018 OR 2019
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**I AM A COMPANY DRIVER AND WILL
FILE A W2 TAX RETURN**