

Coronavirus Paid Leave Tax Credits for Self-Employed Workers

Due to the coronavirus crisis, many self-employed workers, including freelancers, independent contractors, and entrepreneurs, are unable to work. If you are one of them, federal law may give you the right to tax credits for the time you cannot work for specific coronavirus-related reasons. This fact sheet explains how these tax credits work.

How to Calculate Your Credits: Leaves taken between April 1, 2020 and March 31, 2021

The following describes how the credits work for leaves taken between April 1, 2020 and March 31, 2021. Different rules apply for leaves taken after March 31, 2021, as described below.

Calculate Your Average Daily Self-Employment Income

To determine your credits, you will need to know your average daily self-employment income. You can calculate this amount by taking your *net* earnings from self-employment for the taxable year and dividing by 260.

Sick Leave Tax Credit

You can receive a tax credit for **up to 10 days total** of sick leave. The amount of the credit will depend on your reason for needing leave.

You can receive a credit of **100% of your average daily self-employment income**, up to a maximum of **\$511/day (\$5,111 total)** for days you cannot work because you:

1. have coronavirus symptoms and are seeking a medical diagnosis;
2. are subject to a federal, state, or local quarantine or isolation order related to coronavirus; or
3. have been advised to self-quarantine by a health care provider due to coronavirus-related concerns.

You can receive a credit of **67% of your average daily self-employment income**, up to a maximum of **\$200/day (\$2,000 total)** for days you cannot work because you:

1. need to care for your child because your child's school or childcare has been closed or childcare is unavailable due to coronavirus; or
2. are caring for someone who is subject to a federal, state, or local quarantine or isolation order related to coronavirus, or who has been advised by a health care provider to self-quarantine due to concerns related to coronavirus.

Family Leave Tax Credit

You can receive a tax credit for up to **50 days** of family leave.

You can receive a credit for **67% of your average daily self-employment income**, up to a maximum of **\$200/day (\$10,000 total)** for days you cannot work because you need to care for your child because your child's school or childcare has been closed or childcare is unavailable due to coronavirus.

If you qualify, you can take *both* credits (even if you used your sick leave credit for childcare), up to a maximum of 60 combined days. In addition, if you earn income from both self-employment and a traditional job, paid sick or family leave you take from your job for coronavirus-related reasons may count against what you can claim as tax credits.

How to Calculate Your Credits: Leaves taken between April 1 and September 30, 2021

*The following describes how the credits work for leaves taken between **April 1 and September 30, 2021**. Different rules apply for leaves taken one or before March 31, 2021, as described above.*

Calculate Your Average Daily Self-Employment Income

To determine your credits, you will need to know your average daily self-employment income. You can calculate this amount by taking your *net* earnings from self-employment for the taxable year and dividing by 260. You may also elect to calculate this amount using your earnings from the prior taxable year.

Sick Leave Tax Credit

You can receive a tax credit for **up to 10 days total** of sick leave. The amount of the credit will depend on your reason for needing leave.

You can receive a credit of **100% of your average daily self-employment income**, up to a maximum of **\$511/day (\$5,111 total)** for days you cannot work because you:

1. have coronavirus symptoms and are seeking a medical diagnosis;
2. are subject to a federal, state, or local quarantine or isolation order related to coronavirus;
3. have been advised to self-quarantine by a health care provider due to coronavirus-related concerns;
4. are seeking or waiting for results of a coronavirus test or diagnosis due to exposure or are unable to work pending the results of such test or diagnosis (even if you are not symptomatic); or
5. are obtaining or recovering from a coronavirus vaccination.

You can receive a credit of **67% of your average daily self-employment income**, up to a maximum of **\$200/day (\$2,000 total)** for days you cannot work because you:

1. need to care for your child because your child's school or childcare has been closed or childcare is unavailable due to coronavirus;
2. are caring for someone who is subject to a federal, state, or local quarantine or isolation order related to coronavirus, or who has been advised by a health care provider to self-quarantine due to concerns related to coronavirus; or
3. are accompanying someone to obtain a coronavirus vaccination or caring for someone who is recovering from a coronavirus vaccination.



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Family Leave Tax Credit

You can receive a tax credit for up to **60 days** of family leave.

You can receive a credit for **67% of your average daily self-employment income**, up to a maximum of **\$200/day (\$12,000 total)** for days you cannot work because you:

1. have coronavirus symptoms and are seeking a medical diagnosis;
2. are subject to a federal, state, or local quarantine or isolation order related to coronavirus;
3. have been advised to self-quarantine by a health care provider due to coronavirus-related concerns;
4. are seeking or waiting for results of a coronavirus test or diagnosis due to exposure or are unable to work pending the results of such test or diagnosis (even if you are not symptomatic);
5. are obtaining or recovering from a coronavirus vaccination;
6. need to care for your child because your child's school or childcare has been closed or childcare is unavailable due to coronavirus;
7. are caring for someone who is subject to a federal, state, or local quarantine or isolation order related to coronavirus, or who has been advised by a health care provider to self-quarantine due to concerns related to coronavirus; or
8. are accompanying someone to obtain a coronavirus vaccination or caring for someone who is recovering from a coronavirus vaccination.

If you qualify, you can take *both* credits, up to a maximum of 70 combined days, but cannot use both credits for the same day of leave. In addition, if you earn income from both self-employment and a traditional job, paid sick or family leave you take from your job for coronavirus-related reasons may count against what you can claim as tax credits.

How to Use Your Credits

Claim Your Credits On Your Tax Return

You can claim your sick leave and family leave tax credits on your Form 1040 (individual income tax return) for the applicable tax year.

These credits count against the amount you owe in federal self-employment tax (for leaves taken before April 1, 2021) or federal income tax (for leaves taken on or after April 1, 2021). These credits are *refundable*, meaning that if your credit is larger than the amount of money you owe, the excess amount will be refunded to you.

Funding Your Leave & Estimated Tax Payments

To fund your covered sick or family leave, you can reduce your estimated income tax payments by taking into account the amount of the credit(s) you will claim on your next tax return.



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Retaining Documentation of Your Leave

To claim your credit, you may need to provide documentation. While the IRS has not specified exactly what will be required, you should keep careful records, including:

- the dates for which you are claiming sick leave or family leave
- the specific reason(s) for leave
- a statement that you cannot perform services in your trade or business (including teleworking) for the qualifying reason
- any supporting documentation you have

If applicable, you should also keep records of:

- the name of the government entity that issued the order of quarantine or isolation
- the name of the health care provider recommending self-quarantine
- the name of the person you are caring for and their relationship to you

If you need sick or family leave because you are caring for a child whose school or daycare is closed or whose childcare provider is unavailable, you should also keep records of:

- the name(s) and age(s) of the child (or children) you are caring for
- the name of the school, place of care, or childcare provider
- a statement that no one else will be caring for the child (or children) during that time
- if you need leave to care for a child older than fourteen during daylight hours, a statement that special circumstances exist requiring you to provide care

If you have further questions, call A Better Balance's free legal clinic at **1-833-NEED-ABB**.

Please note that this fact sheet does not represent an exhaustive overview of the law described, and it does not constitute legal advice. It is possible that additional provisions not described in this fact sheet may apply to your specific circumstances.