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UPDATE FOR INDEPENDENT CONTRACTORS DURING THE COVID-19 STATE OF EMERGENCY

I. Introduction

On March 25, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act, or the “CARES Act”. The act is the largest stimulus package in US history and designed to help Americans through the COVID-19 crisis. The bill covers a multitude of areas, including help to individuals and various industries that are impacted by the epidemic.

Today, April 10, Lender’s will begin to accept applications for independent contractors and sole proprietors for the Payroll Protection Program. Based on the most recent SOP issued by the Small Business Administration, here is an explanation of eligibility requirements:

II. Who is eligible?

Any individual who operates under a sole proprietorship or as an independent contractor or eligible self-employed individual, who were in operation on February 15, 2020.

III. How to establish eligibility?

Each lender will have its own list of documents, but based on the SOP and other applications, here are some documents that they will be looking for:

- Payroll records
- Prior tax fillings
- 1099 Forms
- Income/expense reports

IV. What if do not have such documents?

For those businesses who just started their business or became independent contractors this year, we would recommend preparing the following documents:

- Last year earnings (if you transitioned into 1099 roles, these can be your W2s) – ideally broken down by the month
- Contracts you have entered into, that are now suspended
- Contracts you have entered into, that maybe suspended
- Bank records
- Business plan (for new businesses)

Every Lender will have their own set of documents that they will want you to provide. There is no set list from the Small Business Administration.

* Barred in Florida, Texas and District of Columbia

** Barred in Rhode Island and Massachusetts

V. What to do if my Bank will not process my application because I do not have a business account?

This is a Lender driven program; thus, their rules apply. If your bank does not want to help you, for whatever reason, you may want to explore other banks that are participating in the program. Unfortunately, majority of the Lenders are helping their business clients first, and then if they have room, they will take others.

Our office is in contact with several banks who may be interested in assisting clients, but they will only let us know after they have processed sufficient number of their own business clients. We will update you as soon as we find out more.

VI. What if I do not get the PPP Loan?

In addition to the PPP, you should apply for an SBA Emergency Injury Disaster Loans. This is a loan at a very low interest rate, but no forgiveness. Generally, this loan and the PPP are to work in tandem, but if you do not receive the PPP, this maybe your only option for a business loan.

VII. Can I apply for Unemployment?

Yes, under the COVID 19 regulations in Maryland, and several other states, those who are affected by the COVID 19 pandemic, can be eligible for unemployment benefits. You will need to prove that you are unable to work because of COVID 19 pandemic (such as your business is under a shut-down order or your independent contract was canceled)

VIII. Conclusion

As America braces for living under COVID-19, there will be more information coming as to relief programs and regulations that impact everyday businesses. As we find out more information, we will be updating our website with the most up to date information that we know.

If you have any questions, please contact our office as you and we are in this together.
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