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Unemployment Benefits Under the CARES Act

Presented by FourFront Advisors

The Department of Labor (DOL) sets overall standards for unemployment benefits, and each state processes applications and determines its residents' eligibility through its own program. Generally, most states have a one-week waiting period before eligibility for unemployment benefits begins, limit the length of unemployment benefits to 26 weeks, and require proof that an applicant is actively looking for a new job. There is no amount of unemployment benefits set by federal law, and the amount received by an unemployed individual varies by state.

In three separate provisions—Federal Pandemic Unemployment Compensation (FPUC), Pandemic Unemployment Assistance (PUA), and Pandemic Emergency Unemployment Compensation (PEUC)—the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) expanded the maximum duration of the benefit time period and increased the amount of unemployment benefits with a federal supplement. These provisions will become effective in each state once the state executes an agreement with the DOL regarding the implementation.

Please note: Individuals who work in one state but live in another should apply for unemployment benefits in their state of employment.

Federal Pandemic Unemployment Compensation

FPUC provides an additional \$600 to a state's weekly unemployment benefit and will be paid through July 31, 2020. This is a flat supplement that comes solely from federal funding in the CARES Act. It also includes a nonreduction rule that bars states from changing their formula to reduce the amount of benefits received.

Pandemic Unemployment Assistance

PUA expanded eligibility for unemployment benefits to individuals who normally could not receive unemployment benefits under federal law. These individuals include independent contractors, part-time workers, and those who do not have a sufficient work history. Individuals who can work from home or who receive paid leave or sick leave from an employer are *not* eligible for PUA.

PUA covers all private employers, regardless of how many employees they have. It does not require a one-week waiting period for unemployment benefits, and its eligibility period begins retroactively on January 27, 2020, and extends to December 31, 2020. The government will fully fund the first week of benefits for states that choose to waive their original one-week waiting

periods. States are granted the flexibility to not require recipients to actively seek new employment while receiving benefits, as it may be impossible to find work in the current environment.

PUA applies to multiple circumstances related to COVID-19 that resulted in unemployment, including a reduction in work hours, the inability to travel to work, or the closure of schools and childcare providers. It allows applicants to self-certify that they are experiencing one of the following situations:

- The applicant or a household member has been diagnosed with COVID-19 or is experiencing symptoms of the illness.
- The applicant is caring for a family member or a household member who has a COVID-19 diagnosis.
- The applicant is the primary caregiver for a child whose school or childcare facility has closed because of COVID-19.
- The applicant cannot go to work because of a government-ordered quarantine or has been advised by a health care provider to self-quarantine.
- The applicant can no longer start a new job as the direct result of COVID-19.
- The applicant is now the household’s primary breadwinner because the head of the household died from COVID-19.
- The applicant was forced to quit his or her job as the direct result of COVID-19.
- The applicant’s employer closed as the direct result of COVID-19.

Keep in mind, however, that some states may deny applications for unemployment benefits as they begin to lift restrictions and allow nonessential businesses to reopen. As of April 30, 2020, states’ reopening plans were as follows:

Partially Reopened	Reopening at the Beginning of May		Not Reopening Until Mid-May or Later	
Colorado	Alabama	Nevada	Arizona	Michigan
Georgia	Florida	New	Arkansas	New Jersey
Minnesota	Idaho	Hampshire	California	New Mexico
Mississippi	Indiana	North Dakota	Connecticut	New York
Montana	Iowa	Ohio	Delaware	North Carolina
Oklahoma	Kansas	Texas	District of	Oregon
Tennessee	Maine	Utah	Columbia	Pennsylvania
South Carolina	Missouri	Washington	Hawaii	Rhode Island
	Nebraska	Wyoming	Illinois	South Dakota
			Kentucky	Vermont
			Louisiana	Virginia
			Maryland	West Virginia
			Massachusetts	Wisconsin

Pandemic Emergency Unemployment Compensation

PEUC adds 13 weeks to the standard 26 weeks of unemployment benefits available in most states. The additional 13 weeks means that the CARES Act provides a total of 39 weeks of

unemployment benefits. Individuals can receive the additional 13 weeks even if they exhaust their eligibility for state unemployment benefits.

Short-Term Compensation Plans

Finally, the CARES Act provides federal funds to states that already have or will implement shared work or workshare programs. These programs provide prorated unemployment benefits for individuals who experience a reduction in their work hours.

Taxation of Unemployment Benefits

All unemployment benefits, including the \$600 PUC, are taxable for federal income tax purposes. State taxation of unemployment benefits varies, and you will need to verify whether you will owe state income tax on the benefits received.

Additional Information

You can find more information regarding unemployment benefits provided by the CARES Act by going to the following websites:

- To learn where to apply in each state, go to www.careeronestop.org and click Find Local Help > Unemployment Benefits Finder.
- For general information about unemployment insurance, go to www.dol.gov and click Topics > Unemployment Insurance.
- For information on changes made to unemployment insurance in response to the COVID-19 pandemic, go to www.careeronestop.org/coronavirus.

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