

U.S. TRAVEL SUMMARY OF THE CARES ACT (H.R. 748)

As of March 25, 2020

Together we have secured real, immediate assistance for the travel workforce and businesses of all sizes across every segment. The Senate and House will soon pass the final phase 3 coronavirus bill, referred to as the CARES Act, but more work is needed to ensure that this relief – which is intended to be a bridge – is extended quickly and helps as many travel businesses as possible.

Included in this bill at a high level:

Help for Small Businesses and Non-Profit Organizations: Provided through \$377 billion in loans and loan forgiveness.

Help for Severely Impacted Industries and State and Local Governmental Entities: Provided through \$454 billion in loans, loan guarantees and other financial instruments.

Business Tax Relief: For the current tax year and previous tax years.

Help for Affected Workers: Provided through cash payments, tax relief, and unemployment insurance benefits.

Help for Hospitals, Healthcare Workers, and Infected Individuals: Provided through grants and other forms of relief.

Help for States, Local Government, and Transportation: Provided through grants, including direct support for the tourism industry and airports

Once enacted, agencies will have to issue regulations to make the benefits available. U.S. Travel will engage with the Department of Treasury, the Small Business Administration and the Fed to provide guidance and ensure that our members have access to capital as quickly as possible. We will also work to connect members with resources as soon as they become available.

Specific help for the travel industry (and other affected businesses) are included below:

SMALL BUSINESS ADMINISTRATION LOANS

Existing SBA Loans:

***Eligibility:** For small business or franchises with 500 employees or less, including tour operators, meeting and event services, hotels, attractions, restaurants, wineries, and*

more. U.S. Travel position: We fought to ensure businesses could get payment relief on existing SBA loans.

Provides \$17 billion for the SBA to cover the next 6 months of loan payments due on existing SBA 7(a) loans, Certified Development Company loans, and microloans. Any business with an existing loan under these programs are eligible for relief.

SBA Disaster Loans:

***Eligibility:** Broadest eligibility, including private nonprofits, sports leagues and DMOs organized as 501(c)(6) or 501(c)(3) organizations, along with small businesses such as tour operators, meeting and event services, hotels, attractions, restaurants, wineries, and more.²*

***U.S. Travel position:** We fought to ensure the most vulnerable small businesses and nonprofit organizations could receive grants and loans, with reduced red tape.*

Provides \$10 billion for the SBA to provide economic injury disaster loans to small businesses, private nonprofits (including 501(c)(6) organizations), small agricultural cooperatives, self-employed individuals, and any business that employs less than 500 employees until December 31, 2020.

Allows applicants to be approved for the loans based on credit score alone and waives personal collateral requirements for loans totaling less than \$200,000. Additionally, the bill waives rules requiring borrowers to be in businesses for at least a year, and the requirement that an applicant be unable to obtain credit elsewhere.

SBA is also authorized to give grants (up to \$10,000) to any business or private nonprofit eligible for a loan within 3 days of receiving a disaster loan application, to cover needed expenses (including payroll, rent, mortgage payments, and materials).

SBA Interruption Loans:

***Eligibility:** For any small business, including small tour operators, hotels, attractions, meetings and events, wineries, and more; and any DMO organized as a 501(c)(3) organization that doesn't receive an SBA Disaster Loan, with certain exceptions.*

***U.S. Travel position:** We fought to expand the amount of loans available to small businesses and reduce red tape. More needs to be done to expand eligibility and increase support for travel businesses.*

Provides \$349 billion for the SBA to provide “interruption loans” to small businesses, self-employed individuals, 501(c)(3) organizations, and veteran organizations, provided they have less than 500 employees or they meet SBA small business size standards, whichever is greater—with exceptions for businesses that provide food and accommodation services.

The loan amount is based on 250% of the borrower’s average monthly payroll cost before the crisis hit (including the cost of wages, paid leave, severance, healthcare benefits, retirement benefits, state and local taxes, and compensation for independent contractors making less than \$100,000 per year), up to \$10 million.

Waives collateral requirements and loan fees and defers repayment for at least 6 months.

Recipients are eligible for tax-free loan forgiveness for a portion of the loan used cover payroll, rent or mortgage interest, and utilities for the 8-week period after the loan is originated—with conditions for maintaining employment and wages during the crisis.

SBA Express Loans:

***Eligibility:** For any small business, including small tour operators, hotels, attractions, meetings and events, wineries, and more.*

Increases the maximum loan amount for an SBA Express loan from \$350,000 to \$1 million. These loans currently have a much faster approval process through SBA and provide borrowers with revolving lines of credit for working capital purposes.

ECONOMIC STABILIZATION ASSISTANCE

***Eligibility:** For any impacted business of any size, including sports leagues, sports team, major hoteliers, travel technology companies, rental cars, and more. Also includes eligibility for States, territories, municipalities, subdivisions of a State, or instrumentalities thereof (including DMOs organized as an instrument of government, DMO’s classified as 501(c)(6)).³*

***U.S. Travel position:** We fought to ensure all parts of the travel industry were eligible for financial assistance, providing the administrative flexibility needed to get money into the hands of those that need it as soon as possible.*

Provides \$454 billion for the Treasury Department to provide secured loans to U.S. businesses, States, tribes, and municipalities (including DMOs organized as instruments of a State or local government) or to fund liquidity assistance through the

Federal Reserve, in support of businesses, States, tribes, and municipalities that haven't already received economic relief through any other loan provided under the bill.

There is no deadline for when Treasury or the Federal Reserve must issue regulations setting up a program providing this assistance.

To receive a direct loan from the Treasury Secretary or Federal Reserve, businesses must have a majority of its employees based in the U.S. and agree not to conduct until 12 months after the loan is repaid: 1) stock buybacks; 2) pay dividends on common stock; and 3) agree to certain limits on executive compensation.

The liquidity assistance provided by the Federal Reserve can be in the form of direct loans to businesses and governmental entities (including certain DMOs, hotels, restaurants, rental car companies, software companies, and retailers) or the direct purchase of debt obligations or securities from the business. Assistance can also be in the form of the purchase of bonds, loans, and securities directly from banks or from investors in the secondary market. Collateral is required for all loans given by the Federal Reserve and Treasury, and all loans, bonds, and securities purchased by the Federal Reserve must be collateralized.

Directs the Treasury Secretary to establish a program that provides banks with liquidity to make loans to businesses and nonprofit organizations (including travel businesses and 501(c)(6) organizations) with between 500 and 10,000 employees, capping interest rates for the loans at 2 percent and providing 6 months of forbearance, on condition of the entity maintaining employment and meeting collective bargaining and other requirements.

Also provides \$46 billion for the Treasury Department to give direct loans to airlines, cargo air carriers, and businesses critical to national security (e.g. Boeing).

Treasury is also able to provide \$32 billion in grants to passenger airlines, cargo air carriers, and air service contractors (including airline catering services) under strict conditions.

Companies that receive a direct loan from the Federal Reserve or the Treasury Department cannot engage in stock buybacks or pay dividends until a year after the loan is fully paid back. They must also limit executive compensation, and employment requirements may apply depending on the form of assistance.

Creates a Special Inspector General for Pandemic Recovery and a 5-member Congressional Oversight Commission to oversee direct loans and financial assistance provided by the Treasury Department and Federal Reserve.

BUSINESS TAX RELIEF

Eligibility: For any business of any size, sports league, sports team, or DMO organized as a 501(c)(6) or 501(c)(3) organization, as applicable.

U.S. Travel position: We fought to ensure businesses could reduce their tax burden and make it easier to keep their workers on the payroll, in addition to getting the IRS to delay tax payment and filing deadlines.⁴

Employee Retention Tax Credit: Provide a temporary tax credit against employer payroll taxes, worth 50 percent of wages (up to \$10,000 of qualified wages per employee per quarter) paid this year by a qualified employer. Qualified employers include those forced to suspend activities due to the coronavirus outbreak but does not include employers that receive an SBA interruption loan.

Payroll Tax Deferral: Defers payment for Social Security taxes on employers and the self-employed until January 1, 2021—not including any employers that get loan forgiveness on an SBA interruption loan.

Net Operating Loss Deduction: Allows businesses to fully carry back net operating losses occurring in 2018, 2019, or 2020 to the previous 5 years, allowing them to amend previous tax returns to get a refund and help cover liquidity demands.

Refundable Credits for Prior Year Corporate Alternative Minimum Tax (AMT): Accelerates the ability for corporations to recover AMT credits, allowing them to claim a refund now and obtain additional cash flow.

Business Interest Expense Deduction: Temporarily increases the cap on the business interest expense deduction for the 2019 and 2020 tax year.

Qualified Improvement Property: Allows restaurants and retail stores to fully expense the cost of property improvements in the year the cost occurs, rather than over time through a depreciation schedule.

AIRPORT AND TOURISM GRANTS

Eligibility: For any airport, State, territory, municipality, subdivision of a State, or instrumentality thereof.

U.S. Travel position: We fought to ensure airports and other important elements of the travel ecosystem received the support needed to weather this storm.

Provides \$10 billion in grants to airports for the purpose of maintaining airport operations, distributed through FAA's Airport Improvement Program by formula.

Provides \$5 billion in Community Development Block Grants to States and local governments to mitigate economic disruptions in impacted industries, including making direct grants to tourism businesses impacted by COVID-19.

Provides \$1.5 billion in Economic Development Agency grants to State and local governments for economic injuries to impacted industries, including grants to support economic revitalization of tourism businesses impacted by COVID-19.

UNEMPLOYMENT INSURANCE ASSISTANCE

***Eligibility:** For any worker of an affected employer, including private businesses, sports leagues, sports teams, and DMOs, as applicable.*

***U.S. Travel position:** We fought to ensure unemployment insurance could be used to support as many travel industry workers as possible during this crisis.*

Provides enhancements to existing State unemployment insurance programs, including allowing furloughed workers to receive unemployment insurance benefits, waiving the 7-day waiting period for regular unemployment insurance, extending the duration of unemployment insurance benefits, and promoting short time compensation benefits for workers forced to cut hours.