

U.S. TRAVEL ASSOCIATION®

Travel America Act

The economic effects of the coronavirus have hit the travel industry especially hard, with travel businesses and organizations seeing unprecedented declines in revenue. As a result, more than half of the industry's 15.8 million jobs (51%) have been lost so far—twice that of the worst year of the depression, with 8.1 million jobs gone as of May 1.

Travel spending is on track to fall by at least \$500 billion this year. To restore what was lost and return the industry to growth, Congress should consider the following economic recovery measures and deploy them as soon as possible to ensure the country doesn't fall further into economic despair:

1. Create a Temporary Travel Tax Credit

Summary: To reduce the time it takes to fully recover from the economic crisis, Congress should create a new tax credit to encourage individuals to travel within the U.S. for business or leisure. Similar action was taken to encourage homebuying in the wake of the housing crisis through the homebuyer tax credit. Specifically, we propose a tax credit worth 50 percent of qualified travel expenses incurred in the U.S. between the date of enactment and December 31, 2021, up to a maximum tax credit of \$4,000 per household. Qualified travel expenses would include any expense over \$50 that is incurred while traveling away from home in the U.S., with explicit reference to the expense of meals, lodging, recreation, transportation, amusement or entertainment, business meetings or events, and gasoline.

2. Allow Full Deductibility of Food and Entertainment Business Expenses.

Summary: To support recovery in the food service and entertainment sectors—both of which are critical to economic recovery not only in the travel arena but also for the broader economy throughout the country—Congress should restore¹ the full deductibility of ordinary and necessary entertainment and food and beverage business expenses. We propose a 3-year suspension of limitations under section 274 of the tax code to allow businesses to fully deduct food, beverage, entertainment, amusement, and recreation expenses, if directly used in the conduct of a trade or business. After the three years, the deduction should be reduced to 50 percent across the board to maintain fair treatment of restaurants, catering, and arts and entertainment facilities thereafter.

3. Provide \$10 billion for Domestic Travel Promotion

Summary: To restore the ability of communities to attract travel spending, we propose a streamlined \$10 billion grant program through the Economic Development Administration (EDA) to support the work of State tourism offices and local Destination Marketing Organizations—many of which have been devastated by a sharp drop in the hotel room tax revenue they rely on. Without financial support, they will be unable to restore operations and the work they do is critical to broader economic recovery. The grants provided through EDA will ensure destinations can resume tourism promotion activities as quickly as possible.

¹ In accordance with the Revenue Act of 1962.

4. Create a Meetings and Events Tax Credit

Summary: In 2018, business travel accounted for 12.5% of all travel spending, generating around \$136 billion in economic activity annually. However, in the wake of the coronavirus outbreak, that spending has largely evaporated, risking the financial well-being of the 2.6 million people that rely on the economic activity that comes with live meetings and events. Without targeted tax breaks to help stimulate spending on meetings and events, those jobs will not come back anytime soon.

To help restore this vital part of the travel industry, Congress should create a temporary refundable payroll tax credit for businesses and non-profit organizations until 2023, worth 50% of compensation paid to any employee that travels to a qualified business event, capped at the lesser of the employee's wages, 50% of the incurred travel expenses, or \$10,000 per quarter for each traveling employee. A qualified business event would include any event or meeting in which two or more unrelated parties travel away from home to physically meet at a place of public accommodation for the purpose of engaging in commerce, negotiation for commerce, professional development, or marketing. Eligible sites would include any hotel, restaurant, stadium, or convention center in the U.S. The provision would also hold harmless the Social Security Trust Fund.