TRAVEL WORKFORCE PROTECTION AND RECOVERY POLICIES

March 18, 2020

The necessary public health measures being taken to prevent the spread of COVID19 have unintentionally caused historic declines in travel spending. Unlike past economic slowdowns, the steep and sudden decline in travel is more analogous to a virtual shutdown of the travel economy. According to Oxford Economics, the coronavirus related shutdown will lead to:

- **4.6 million jobs lost:** By the end of June, travel-related jobs will fall by 3.6 million and result in total employment losses of 4.6 million jobs in the U.S. this year – increasing the unemployment rate to 6.3%;
- **$355 billion in lost revenue:** Travel spending in the U.S. will decline by $355 billion this year and will translate into a total loss of $809 billion in economic output;
    - Travel industry revenue losses will be concentrated in the second and third quarters but will continue through the year.
- **This scenario assumes recovery will begin in June, which is far from certain.**

Time is of the essence. Immediate Congressional action is needed to protect travel workers who, through no fault of their own, are experiencing significant economic harm from this natural disaster. We respectfully urge Congress to swiftly pass legislation that provides:

- **Grants to protect the travel workforce:** To keep workers employed, businesses solvent, and compensate for losses incurred in the interest of public health, provide $250 billion in direct grants to travel-dependent businesses through a Travel Workforce Stabilization Fund at the Department of Treasury. Convert a portion of SBA loans to grants for small businesses and non-profits to keep employment at pre-coronavirus levels.
- **Loans to stabilize business operations:** Provide travel-dependent businesses with zero interest, unsecured lines of credit from the Treasury Department through a liquidity facility program. For small businesses and non-profits, maximize the benefit of SBA loan programs by increasing loan limits above $2 million and guarantee percentages, waiving loan fees, and providing forbearance on interest and loan payments through 2020.
- **Tax relief to mitigate losses and spur recovery:** Among other tax proposals in this document, of the utmost importance is to permit affected businesses to temporarily defer tax liability, delay or eliminate estimated quarterly tax payments and filings deadlines, and allow for an extended carryback of the Net Operating Loss (NOL) Deduction.

GRANTS TO PROTECT TRAVEL WORKFORCE: ONE-IN-10 U.S. JOBS DEPEND ON TRAVEL

Establish a Travel Workforce Stabilization Fund

Objective: Provide $250 billion of immediate liquidity to maintain employment at travel-dependent businesses through a Travel Workforce Stabilization Fund.

Details: Appropriate $250 billion for a Travel Workforce Stabilization Fund at the Department of Treasury to provide grants to travel-dependent businesses to compensate for reduced liquidity (net of financing) attributable to coronavirus-related losses and to be used for maintaining employment at pre-coronavirus levels. In addition, provide cash advances to ensure travel businesses have enough receivables to pay their employees and to borrow against. Advances could be based on bulk Federal contracts for lodging, airfare, events, and travel-related services over the next 10 years. Direct Treasury to create the program within 10 days of enactment and provide grants with minimal procedural delay.

TRAVEL WORKFORCE PROTECTION AND RECOVERY POLICIES (CONTINUED)

LOANS TO STABILIZE TRAVEL BUSINESSES, 83% OF WHICH ARE SMALL BUSINESSES

Provide an Emergency Liquidity Facility for Travel Businesses

Objective: Stabilize business operations during protracted declines in travel demand due to the coronavirus.

Details: Authorize the Department of Treasury to provide travel-dependent businesses with no-interest loans and unsecured lines of credit through a liquidity facility program. Direct Treasury to create the program within 15 days of enactment and provide loans with minimal delay.

Optimize SBA Loan Programs to Support Small Businesses & Their Employees

Objective: Help small businesses generate cash flow, continue to make investments and keep employees on the payroll.

Details: Utilize the existing SBA loan criteria to convert a portion of SBA loans to capital operating grants to help small businesses and non-profits keep workers employed at pre-coronavirus levels. Maximize the benefit of SBA loan programs—including for 7(a) loans and disaster loans—by increasing loan limits above $2 million and guarantee percentages, waiving loan fees, waiving the state certification requirement (under15 U.S.C § 636(b)(2)(D)), and providing forbearance on interest and loan payments through 2020. Similar action was taken during the 2009-2010 Recession.

PROVIDE TAX RELIEF TO MITIGATE ECONOMIC LOSSES AND SPUR RECOVERY

Allow Corporations Experiencing Coronavirus-Related Financial Distress to Defer Tax Liability

Objective: Assist companies financially affected by the coronavirus outbreak in spreading out losses.

Details: Allow corporations to defer a portion of their 2020 federal tax liability, to be paid ratably over the following five tax years. The percentage of deferrable tax would be based on the percentage gross income declined in 2020 compared to 2019, multiplied by two—but not to exceed 100% (50% decline in gross income results in a deferral of 100% of 2020 federal tax liability).

A deferral of tax attributable to Cancellation of Debt income was provided in the wake of the 2008 financial crisis to assist businesses experiencing financial distress. While the coronavirus introduces similar financial distress, it is not expected that COD income will be as prevalent as what occurred in the 2008 financial crisis and therefore an alternative formula is suggested.

Delay the Deadline for Estimated Quarterly Tax Payments and Filings (ADMIN ACTION)

Objective: Help businesses affected by the coronavirus manage cash flow challenges.

Details: Delay the April 15th tax payment and filing due dates for two months for businesses in states with the coronavirus. Most businesses, particularly pass-throughs, have to make quarterly payments on the taxes they expect to owe this year. In the past, the IRS delayed payment and filing deadlines for businesses affected by major disasters—including in response to Hurricanes Irma and Maria. The following is the quarterly payment schedule this year:

1Q: April 15 | 2Q: June 15 | 3Q: September 15 | 4Q: January 15 of the next year

TRAVEL WORKFORCE PROTECTION AND RECOVERY POLICIES (CONTINUED)

Allow a Five Year-Carryback of the Net Operating Loss (NOL) Deduction

Objective: Help businesses mitigate economic harm due to declining revenue in 2020.

Details: Temporarily allow taxpayers to carry back net operating losses over the previous 5 years. A business incurs a net operating loss (NOL) when its taxable income is negative. The year in which the NOL is realized is referred to as a "loss year." Businesses have no tax liability in a loss year. Before 2018, businesses could carry back an NOL to obtain a refund for taxes paid in the prior 2 years of the loss or carry it forward 20 years to reduce taxes owed in the future.

The 2017 tax bill eliminated the ability for taxpayers to carry back an NOL, while allowing an NOL to be carried forward indefinitely. In the wake of 9/11 and the 2008 financial crisis, Congress temporarily extended the NOL deduction carry back period from two to five years.

Provide an Employee Retention Credit

Objective: Help travel-related businesses keep employees on the payroll.

Details: Provide a temporary business tax credit worth 40 percent of wages (up to $6,000 of qualified wages per employee) paid by a qualified employer to an employee, for a maximum credit of $2,400 per employee. A qualified employer would be defined as an employer located in a state declaring a state of emergency due to the coronavirus outbreak or an employer primarily engaged in the business of food service, lodging, retail, automobile rentals, air transportation, amusement, entertainment, recreation, accommodation, design and production for mass gatherings of persons, or distribution of travel services. Similar relief was provided in the wake of Hurricanes Harvey and Irma.

Ensure Quarantined Individuals Can Receive Unemployment Insurance Benefits

Objective: Make It Easier for Infected Individuals to Stay Quarantined

Details: Provide a temporary exception to Unemployment Insurance (UI) rules that require beneficiaries to (1) be unemployed for at least 7 days, (2) actively seek work while unemployed and (3) be available to start work immediately. Additionally, allow individuals taking voluntary unpaid leave to be eligible for UI benefits, to support prudent social distancing. UI is financed by a combination of both federal taxes under the Federal Unemployment Tax Act and by state payroll taxes. UI benefits typically last for 26 weeks, providing 50% of wages acquired over the previous 12-month period.

During past economic recessions, including the 2009-2010 economic recession, the federal government extended the duration of UI benefits, both permanently (i.e. the Extended Benefit program) and temporarily (i.e. the Emergency Unemployment Compensation program).

Support Provision of Pandemic Risk Insurance

Objective: Provide a federal loss-sharing program to encourage pandemic or epidemic insurance products

Details: Risk insurance legislation is needed to mandate that businesses who could demonstrate significant business interruption and sharp decline in present and future revenue would be insured in case of a possible pandemic or epidemic. The legislation would create a federal "backstop" for insurance claims related to a pandemic or epidemic. The specific purpose of the legislation would be to provide for a federal loss-sharing program to support the provision of insurance products that might be otherwise disrupted as the result of a widespread contagion. The Secretary of Health and Human Services in consultation with the Secretary of Homeland Security would certify a particular health event or outbreak as a pandemic or epidemic. A similar program was created for terrorism risk insurance in the wake of 9/11.

Support Operations for Airports and Airport Businesses

Objective: Provide operational funding to support airports, airport businesses, and other critical transportation providers suffering from declines in travel demand.

Details: Provide at least $10 billion in general funding to airports for debt service payments, operations, and any lawful purpose. Utilize existing AIP grant program to distribute money quickly and allow funds to be used at 100 percent federal share. Ensure funds are sufficient to cover minimum annual guarantee (MAG) payments and concession abatement in support of airport businesses suffering from declines in travel demand.

REVERSE DECLINES IN TRAVEL DEMAND: KEEP AMERICA MOVING AND WORKING

Create a Temporary Travel Tax Credit

Objective: Encourage near-term business and leisure travel spending***.***

Details: Create a new tax credit to incentivize domestic business and leisure travelers to travel within a specified time frame, similar to what was done through the homebuyer tax credit in the wake of the housing crisis. Specifically, the tax credit would be worth 50 percent of qualified travel expenses incurred in the U.S. between May 1st and December 31st, 2020, up to a maximum tax credit of $2,000 per household. *[Alternative: Authorize the Treasury Secretary to set the effective dates, in consultation with the CDC, for a period of time not to exceed 9 months.]*

Qualified travel expenses include any expense over $50 that is incurred while traveling away from home, with language to explicitly reference expenses related to meals, lodging, recreation, transportation, amusement or entertainment, business meetings or events, and gasoline. The credit is not allowed if the taxpayer receives a refund for the expense within the taxable year or if the taxpayer is a dependent.

Restore the Entertainment Business Expense Deduction

Objective: Provide a long-term incentives for business travel, conferences, and trade shows***.***

Details: Restore the entertainment business expense deduction for two years, allowing businesses to deduct the cost of ordinary and necessary business expenses at art and entertainment facilities, if such expenses are directly related to the active conduct of a trade or business. The deduction would be worth 100% of eligible expenses in the first year, and 50% in the second year.

The 2017 tax bill (P.L. 115-97) repealed the deduction for business expenses at art and entertainment facilities, while still maintaining the deduction for meals consumed on business travel.

Boost Community Development Block Grants to Promote Healthy Travel

Objective: Promote safe and healthy travel within the United States***.***

Details: Provide $1 billion in flexible Community Development Block Grant (CDBG) funds to assist State and local destination marketing organizations to address economic recovery needs in areas most impacted by a decline in tourism, air service reductions, conference and event cancellations, or fears of the coronavirus. CDBG grantees will use these funds to design and carry out domestic travel promotion campaigns that encourage travel to low-risk destinations and healthy travel practices. Similar provisions included in economic recovery packages after 9/11, Hurricane Katrina, and other disasters.

Provide a Temporary Payroll Tax Cut

Objective: Boost General Economic Activity.

Details: Cut the employee and self-employed shares of Social Security payroll taxes by two percentage points (from 6.2% to 4.2% for employees; and from 12.4% to 10.4% for the self-employed). Hold the Social Security Trust Fund harmless through a transfer of general revenue. A temporary payroll tax cut was provided in the wake of the 2008 Financial Crisis. Workers received more pay in each paycheck immediately through a reduction in payroll tax withholdings.