



COVID-19 RELIEF: TOUR OPERATORS AND THE TRAVEL/TOURISM INDUSTRY

CARES Act Funding/Relief Opportunities

The CARES Act (H.R. 748) includes significant opportunities for relief for the travel sector both by expanding existing opportunities and creating new ones. The final text, which is set to be considered by the House Friday, can be found [here](#). Tour operators and other travel and tourism businesses will be able to utilize the relief provisions and programs included in H.R. 748 once it is signed into law, which is expected to be shortly after the House passes it.

The CARES Act makes available \$377 billion in loans and loan forgiveness for small businesses. It also provides \$454 billion in loans, loan guarantees, and other mechanisms for severely impacted industries and state and local governments, including those in the travel and tourism space.

The bill includes:

- Significant tax relief for the current and previous tax years;
- Direct payments, tax relief, and unemployment insurance benefits for Americans; and
- Help for states, local governments, and transportation via grants, including direct support for the tourism industry.
 - Part of that direct support is \$29 billion for loans and loan guarantees to airlines, repair stations, and ticket agents.

While we anticipate that the CARES Act will be enacted in the near term, there will be rules and regulations that will need to be issued to enable the relief to be distributed. Elevate Government Affairs (Elevate) is engaging the Department of Treasury, the Small Business Administration (SBA), and other governmental entities on the timing of guidance that will allow affected parties to the ability to access the monies. The expectation is that relief will be available expeditiously for the sector and Elevate will provide real time updates as we obtain them.

Paycheck Protection Program

The third COVID-19 package creates a new \$350 billion “Paycheck Protection Program” within the existing 7(a) loan program that tour operators and other travel and tourism companies would be eligible for. The new program provides eight weeks of cash-flow assistance through 100 percent federally guaranteed loans to small employers who maintain their payroll during this emergency. If the employer maintains its payroll, the portion of the loan used for covered payroll costs, interest on mortgage obligations, rent, and utilities will be forgiven. Instead of getting relief directly from SBA, loans would be available immediately through more than 800 existing SBA-certified lenders, including banks, credit unions, and other financial institutions, and SBA is required to streamline the process to rapidly bring additional lenders into the program. The size of the loans will be 250 percent of an employer’s average monthly payroll.

The maximum loan amount is \$10 million. Covered payroll costs include salary, wages, and payment of cash tips (up to an annual rate of pay of \$100,000); employee group health care benefits, including insurance premiums; retirement contributions; and covered leave. Both lenders and borrowers are provided with fee waivers, an automatic deferment of payments for one year, and no prepayment penalties. There are certain exceptions to this loan, and it is important to note that organizations that receive an SBA disaster loan **are not eligible** for an SBA interruption loan. There are also exceptions for businesses that provide food and accommodation services.

Existing SBA Loans

Both existing SBA loans and disaster loans apply to tour operators and other travel and tourism-related businesses that meet the size requirements outlined in [this table](#). Small businesses that have fewer than 500 employees, which includes tour operators, meeting and event services, hotels, attractions, restaurants, ticket agents, and more, are eligible for relief on existing SBA loans.

SBA Disaster Loans

SBA disaster loans have the broadest eligibility, which includes private non-profits, certain Destination Market Organizations (DMOs), and other small businesses including tour operators and other travel and tourism entities. \$10 billion is provided under the bill to SBA to provide economic injury disaster loans to small businesses, private nonprofits, small agricultural cooperatives, self-employed individuals, and any business that employs less than 500 employees until December 31, 2020. SBA is authorized to give grants of up to \$10,000 to any business or private nonprofit eligible for a loan within three days of receiving a disaster loan application to cover immediate expenses, including payroll, rent, mortgage payments, and materials. For smaller tour operators and businesses who have been hardest hit, this near immediate infusion of capital is important to note. SBA is working diligently to address issues with their website, as it has been overloaded with users.

SBA Express Loans

The bill expands the maximum loan amount for an SBA express loan from \$350,000 to \$1 million. Tour operators, hotels, attractions, and other small businesses within the travel and tourism industry are eligible to apply for express loans should they meet the size requirements.

Economic Stabilization

As stated above, the bill provides \$454 billion for the Treasury Department to provide economic stabilization through secured loans to U.S. businesses, states, tribes, and municipalities, including DMOs that are organized as instruments of a state or local government. This money will also be used to fund liquidity assistance through the Federal Reserve in support of businesses (including tour operators), states, tribes and municipalities that **have not** already received economic relief through any other loan provided under the bill. It is unclear as to when the Treasury Department or Federal Reserve will set up this program, as there is no deadline in the bill. Tour operators and other distressed businesses must have a majority of employees in the US and agree not to engage in any of the following until 12 months after the loan is repaid:

stock buybacks, pay dividends on common stock, or agree to certain limits on executive compensation. Companies that are owned by a foreign parent company and do not have a majority of employees in the United States may have an issue being eligible for relief under this program. However, in some cases, a business owned/managed by citizens of foreign countries, foreign business entities, or non-immigrant aliens can be eligible for SBA financing, as long as it meets the conditions outlined [here](#). 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.

A program is also created under this bill that provides banks with liquidity to make loans to businesses and nonprofit organizations (including travel businesses) with between 500 and 10,000 employees. Interest rates for the loans are capped at two percent and provide six months of forbearance, on condition of the entity maintaining employment and meeting collective bargaining and other requirements.

Business Tax Relief Mechanisms

The bill provides significant business tax relief that tour operators and other travel and tourism-related businesses can take advantage of, including an employee retention tax credit, payroll tax deferral, net operating loss deduction, refundable credits for prior year corporate alternative minimum tax, and business interest expense deduction. Rules/regulations on all of these business tax relief mechanisms are forthcoming.

Tourism Grants

Lastly, the bill provides \$5 billion in Community Development Block Grants to states and local governments, and \$1.5 billion in Economic Development Agency grants, to mitigate economic disruptions in impacted industries, including making direct grants to tourism businesses impacted by COVID-19.

Travel and tourism businesses are eligible for substantial relief under this bill. More information is continuing to come out daily and will continue to be shared.