

NAVIGATING THE **CARES ACT**

The webinar will begin shortly.

U.S. TRAVEL
ASSOCIATION®

HOUSEKEEPING



Questions will be answered at the end of the presentation.



The **webinar recording and slides will be shared** with all of you as soon as possible.



Technical assistance? Email webinars@ustravel.org.



Additional resources on the CARES Act can be found at ustravel.org/ReliefResources.



ROGER DOW

President and CEO



U.S. TRAVEL
ASSOCIATION®



TORI EMERSON BARNES

Executive Vice President,
Public Affairs and Policy

ORIGINAL ASKS

- **Grants to protect the travel workforce.**
- **Loans to stabilize travel-dependent businesses and nonprofits** with zero interest, unsecured lines of credit from the U.S. Treasury Department.
- **Increasing SBA loan limits and guarantee percentages, waiving loan fees, and providing forbearance** on interest and loan payments through 2020.
- **Permitting affected businesses to temporarily defer tax liability**, delay or eliminate estimated quarterly tax payments and filing deadlines and allowing for a carryback of the Net Operating Loss (NOL) deduction, as well as **creating an employee retention credit and increasing unemployment insurance.**
- **Installing a temporary travel tax credit** to encourage travel spending, restoring the entertainment business expense deduction, boosting community development block grants to promote healthy travel and providing a temporary payroll tax cut.

CARES Act

The CARES Act, the **largest economic relief package in our nation's history**, was signed into law on March 27 and includes major provisions that will deliver economic support to travel businesses, travel workers and their families.

- **\$377 BILLION** in loans and loan forgiveness for small travel businesses
- **\$454 BILLION** in federally backed financial assistance for impacted businesses
- **TAX RELIEF** to mitigate losses and allow businesses to use cash to pay employees and keep the lights on
- **GRANTS** for impacted tourism businesses and airports

What We **LIKE** and What We **STILL NEED**

LIKE

- Strong **tax relief** section closely matches our requests
- Enhanced **SBA loans**
- Bold package with resources benefiting workers and **travel businesses of all sizes**

IN PROGRESS

- Need for streamlining and **ease in obtaining resources**
- Need for **expediting money** to businesses in need
- Need for **flexible options** for ALL small businesses
- Need for **loan increases and extensions**

USTRAVEL.ORG/RELIEFRESOURCES

- 📌 **U.S. TRAVEL SUMMARY OF CARES ACT**
- 📌 **DETAILED DOCUMENTS** on types of loans offered, the Paycheck Protection Program, grants and tax relief (to come)
- 📌 **OFFICIAL SBA RESOURCES and LINKS** including a list of state-by-state lenders
- 📌 **“IF YOU ARE A” GUIDE TO ELIGIBILITY** by member segment



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Vice President,
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EMERGENCY STABILIZATON FUND



WHO IS ELIGIBLE

- ✦ **ANY U.S. BUSINESS REGARDLESS OF SIZE**, which may include any nonprofit that is tax exempt under 501(c) of the tax code, including 501(c)(4) and 501(c)(6) organizations. Businesses must also meet certain criteria.
- ✦ **STATES**, including the District of Columbia; territories, any bi-state or multi-state entity; and any Indian Tribe.
- ✦ **MUNICIPALITIES**, including a political subdivision of a state, such as **State Tourism Office**; an instrumentality of a municipality, state or a political subdivision of a state; such as a **Destination Marketing Organization** classified as a political subdivision; a city or county airport authority; or a convention authority.

ADDITIONAL ELIGIBILITY:

The Treasury and Federal Reserve have broad authority to determine the eligibility requirements for any loans, loan guarantees or financial assistance enabled through these funds.

What kind of financial assistance is provided?

SECURED LOANS through BANKS and CREDIT UNIONS: The terms, conditions and maximum loan amounts will be set by the Federal Reserve and the financial institution.

DIRECT LOANS through the Federal Reserve:

- Cannot repurchase its own equity or its parent company's equity (stock buybacks);
- Cannot pay dividends or make other capital distributions on its common stock
- Must agree to limitations on total compensation (salary, bonuses, stock awards, golden parachutes and other financial benefits) paid to officers and employees whose total compensation was more than \$425,000 in 2019.

DIRECT Federal Investment: Treasury may also establish a program (through the Federal Reserve) to offer funding to eligible entities in exchange for debt obligations (e.g. corporate or municipal bonds), securities, or an ownership interest in assets.

What kind of financial assistance is provided?

Loans for MID-SIZED Businesses and Nonprofits (500-10,000 employees):

- **Annualized interest rates will be no more than 2%** and the borrower will not be required to pay principle or interest for at least the first six months.
- **Funds must be used to retain at least 90% of employee workforce with full compensation and benefits** through September 30, 2020
- The borrower intends to restore not less than 90% of the workforce that existed as of February 1, 2020 and to restore all worker compensation and benefits no less than four months after the pandemic
- Other conditions apply

MAIN STREET LENDING PROGRAM for Small and Mid-Sized Businesses:

The term “business” is not defined under this section, so it is unclear if this will include nonprofits.

TROUBLED DEBT RESTRUCTURING (TDR): Allows banks to renegotiate loan terms with coronavirus impacted borrowers (companies and individuals) **without having to hold extra capital**, as long as the new terms are needed as a result of the coronavirus outbreak (and not pending pre-crisis for other solvency reasons).

How can I apply?

To Be Determined: The types of assistance that will be available and who qualifies will be determined through the programs and facilities established by the Treasury and Federal Reserve, in addition to any private lenders providing loans enabled through the Federal Reserve.

Assistance will not be provided on a company specific basis, but will be made broadly available. Instead, Treasury and the Federal Reserve must establish programs with terms and the ability to borrow on an industry basis or covering a broad swath of the economy.

Application procedures are forthcoming: Once a program is established, Treasury and the Federal Reserve will likely publish application procedures and minimum requirements for loans and other assistance made available under the programs. **For lending enabled through financial institutions, additional application procedures will be provided by the bank.**

ALL SMALL BUSINESS LOAN OPTIONS

- 📌 **SBA Coronavirus Economic Injury Disaster Loans**
- 📌 **SBA Express Loans**
- 📌 **SBA Business Interruption Loans** (Paycheck Protection Program)
- 📌 **Debt Relief & Loan Forgiveness** for Small Businesses

SBA CORONAVIRUS ECONOMIC INJURY DISASTER LOANS



WHO IS ELIGIBLE?

- 📌 **SELF-EMPLOYED INDIVIDUALS** that have documented evidence of their income, expenses, and payroll tax filings (as reported on IRS Form 1099-MISC).
- 📌 **SMALL BUSINESSES THAT HAVE 500 OR LESS EMPLOYEES**, with some exceptions.
- 📌 **COOPERATIVES** with 500 employees or less and small agricultural cooperatives.
- 📌 **ANY NON-PROFIT ORGANIZATION** that is tax exempt under Section 501(c) of the tax code.
- 📌 **EMPLOYEE STOCK OWNERSHIP PLANS** with 500 or employees or less.

ADDITIONAL ELIGIBILITY:

Borrowers must have been in business on Jan 31, 2020.

Collateral is required for all loans over \$25,000, but applicants will not be denied for lack of collateral. In such an instance, the SBA will require the borrower to pledge what is available.

Borrowers do not have to be in business for more than a year, prove they can't find credit elsewhere, provide a personal guarantee for loans of \$200,000 or less, or submit a tax return or tax transcript.

Borrowers can be approved based on credit score alone.

What kind of financial assistance is provided?

- The assistance is provided through a **GRANT AND SUBSIDIZED LOAN through SBA**, available until December 31, 2020.
- The **INTEREST RATE** is capped at 4%, but normally 3.75% for businesses and 2.75% for non-profit organizations.
- **Loan terms are on a case-by-case basis:** The term of the loan is determined on a case-by-case basis, based upon each borrower's ability to repay, but with a max term of 30 years.
- Governors do not have to request relief for businesses and organizations in their states to have them qualify. **All states and territories are deemed to qualify.**

What can the loan be used for?

PAYROLL and OPERATING EXPENSES: The grants and loans can be used to pay **fixed debts, payroll, accounts payable and other bills that can't be paid because of the coronavirus outbreak**, including:

- Providing **paid sick leave** to employees unable to work because of the coronavirus outbreak
- **Maintaining payroll to retain employees** during business disruptions or slowdowns
- Meeting any **increased cost of materials** due to interrupted supply chains
- **Making rent or mortgage payments**
- **Repaying obligations** that cannot be met due to revenue loss.

The loan cannot be used to...

- **Refinance existing debt**
- **Make payments on loans owned by another federal agency** (including the SBA) or Small Business Investment Company
- Pay any federal, state or local penalty, criminal fine, or civil fine
- **Repair physical damage**
- **Pay dividends or other disbursements** to owners, partners, officers or stockholders, except for reasonable compensations directly related.

How much is it for?

MAXIMUM LOAN AMOUNT is \$2 million

Loss of anticipated profits or a decline in sales alone is not considered “substantial economic injury.”

the amount of ordinary and necessary expenses the borrower cannot cover due to the coronavirus outbreak.

Grants of up to \$10,000 is available within three days, regardless of approval.

A cash advance (grant) of the loan, up to \$10,000, can be provided to the borrower upon request. **The grant is provided regardless of whether the borrower is ultimately approved for the loan and does not have to be repaid.**

How can I apply?

Once regulations are issued providing for the new loans, **borrowers can apply online for an SBA disaster assistance loan.**

Borrowers can also contact the SBA disaster assistance customer service center

1-800-659- 2955 (TTY: 1-800-877-8339) or

disastercustomerservice@sba.gov

SBA BUSINESS INTERRUPTION LOANS

(Paycheck Protection Program)



WHO IS ELIGIBLE?

- 📌 **SELF-EMPLOYED INDIVIDUALS** that have documented evidence of their income, expenses, and payroll tax filings (as reported on IRS Form 1099-MISC).
- 📌 **SMALL BUSINESSES THAT HAVE 500 OR LESS EMPLOYEES**, including tribe-owned businesses.
- 📌 **FRANCHISES and certain SMALL BUSINESSES** (according to NAICS Code 72) with multiple locations, that have 500 or less total employees, but less than 500 employees at each physical location.
- 📌 **NON-PROFIT ORGANIZATIONS** that are tax exempt under Section 501(c)(3) and 501 (c) 19 of the tax code and have 500 or less total employees.

THE BORROWER MUST CERTIFY THAT:

The current economic conditions necessitate the loan

The funds will be used to retain workers and maintain wages, or make mortgage, lease, and utility payments

The borrower did not get an SBA 7(a) loan or another interruption loan for the same purpose or has one pending.

What kind of financial assistance is provided?

Loans will be OFFERED THROUGH LOCAL BANKS and CREDIT UNIONS

A portion of the loan can be **FORGIVEN TAX FREE** (more below).

Loan repayment is deferred for at least six months, but no more than one year. The exact amount of deferment may depend on the lender or SBA regulations.

INTEREST RATE is capped at 4%.

Borrowers do not have to pay any loan fees, prove they can't find credit elsewhere, provide collateral or a personal guarantee, or pay a penalty for prepayment.

The loan can also be used to refinance an SBA Coronavirus Disaster Loan.

What is eligible for LOAN FORGIVENESS?

Up to 8 WEEKS OF PAYROLL (including additional wages to tipped employees) **and certain OPERATING COSTS** (mortgage debt interest, rent, and utilities)

PROCESS: Borrowers **must submit an application** to the lender, with documentation verifying:

- The number of full-time employees on payroll and their pay rates
- Federal payroll tax filings
- State income tax, payroll tax, and unemployment insurance filings
- Mortgage, rent, and utility payments

Loan forgiveness requests **must be approved or denied by lender within 60 days.**

Amount of loan forgiveness may be reduced.

What can the loan be used for?

PAYROLL, BENEFITS and OPERATING EXPENSES

- **payroll** costs
- **group healthcare benefits**
- **paid leave**
- **insurance premiums**
- **debt interest**
- **mortgage interest** (but not prepayments), rent, and utilities.

There's a safe harbor for the partners and shareholders of a company that fails to pay back a loan, ensuring they cannot be held liable for default if the company uses the loan for those primary purposes.

The loan can also be used for anything a regular 7(a) loan can be used for.

How much is it for?

MAXIMUM LOAN AMOUNT Loan amount can be **250% of “average monthly costs”, but capped at \$10 million**

“Average total monthly cost” is based on the average costs over the previous 12 months from the date the loan is made. Period differs for seasonal and new businesses.

2.5x the **“average total monthly cost”** of

- employee compensation (including paid family and sick leave),
- employee severance
- group health care benefits (including premiums)
- retirement benefits
- state and local payroll taxes
- compensation to any independent contractor paid less than \$100,000 per year
- any outstanding balance on an SBA Coronavirus Disaster Loan (for the purpose of refinancing the Disaster Loan).

How can I apply?

To be determined: Once regulations are issued providing for the new loans, borrowers can apply for a loan from an existing authorized SBA lender, or a lender specially authorized by the Treasury Department to provide interruption loans.

To find an authorized lender near you, **contact your nearest SBA District Office**.

SBA EXPRESS LOANS



WHO IS ELIGIBLE (AND WHO IS NOT)

📌 **SMALL BUSINESSES** that meet SBA size standards

SPECIFIC INELIGIBILITY

- nonprofit organizations
- casinos
- government-owned corporations
- consumer and marketing cooperatives
- firms involved in lending activities
- real estate investment companies (businesses that acquire real estate to occupy it are eligible)
- firms involved in speculative investments.

ADDITIONAL ELIGIBILITY:

Businesses must have been in existence for at least two years.

Businesses must be able to show a need for financing and the ability to repay (no previous delinquencies on government loans) and must show that the funds will be used for a legitimate business purpose.

Lenders are not required to take collateral for loans of \$25,000 or less, but may require collateral for loans above \$25,000.

What kind of financial assistance is provided?

Express loans will be offered through LOCAL BANKS

The assistance is provided through a subsidized loan through an authorized lender—provided at the discretion of the lender under the supervision of the SBA.

Loans must be approved or denied within 36 hours: Under the SBA Express Program, the SBA responds to a lender's request for approval of a loan within 36 hours.

GUARANTEE FEE APPLIES: Most borrowers have to pay a guarantee fee.

VETERAN OWNED BUSINESSES can receive a waiver of guarantee fees

How much is it for?

MAXIMUM EXPRESS LOAN AMOUNT is Capped at \$1 million

Borrowers can receive up to \$1 million per loan, with a **max interest rate of 11.5% for loans of \$50,000 or less, and 9.5% for loans above \$50,000.**

REVOLVING LINE OF CREDIT available: Loans can be given in the form of revolving lines of credit, with a **max term of seven years.**

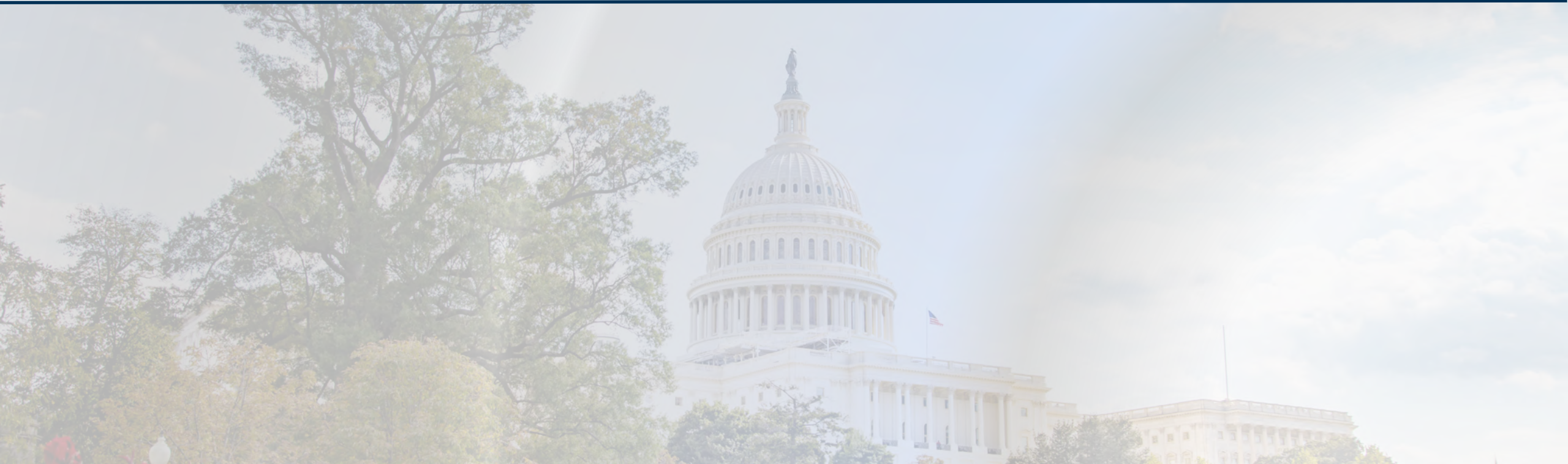
Loan terms are on a case-by-case basis: The term of the loan is determined on a case-by-case basis, based upon each borrower's ability to repay, but with a **MAX TERM of 25 years.**

How can I apply?

Borrowers can apply for a loan from an existing authorized SBA lender.

To find an authorized lender near you, **contact your nearest SBA District Office.**

DEBT RELIEF FOR SMALL BUSINESSES



Under this new program, SBA will pay all principal, interest and fees for six months on existing loans within 30 days of CARES Act enactment.

- 📌 **WHO IS ELIGIBLE?** Any small business holding an **existing SBA 7(a) loan** or any new **7(a) loan** made within six months of CARES Act enforcement; small businesses participating in the **Community Advantage Pilot Program, SBA Microloan Program** or **section 504 loans**
- 📌 This debt relief **DOES NOT** apply to SBA interruption loans made under the new **Paycheck Protection Program**
- 📌 There is **NO CAP** on the amount of payments covered—relief will vary from loan to loan
- 📌 **TO BE DETERMINED:** Whether this payment will happen automatically or upon request

TAX RELIEF



WHO IS ELIGIBLE?

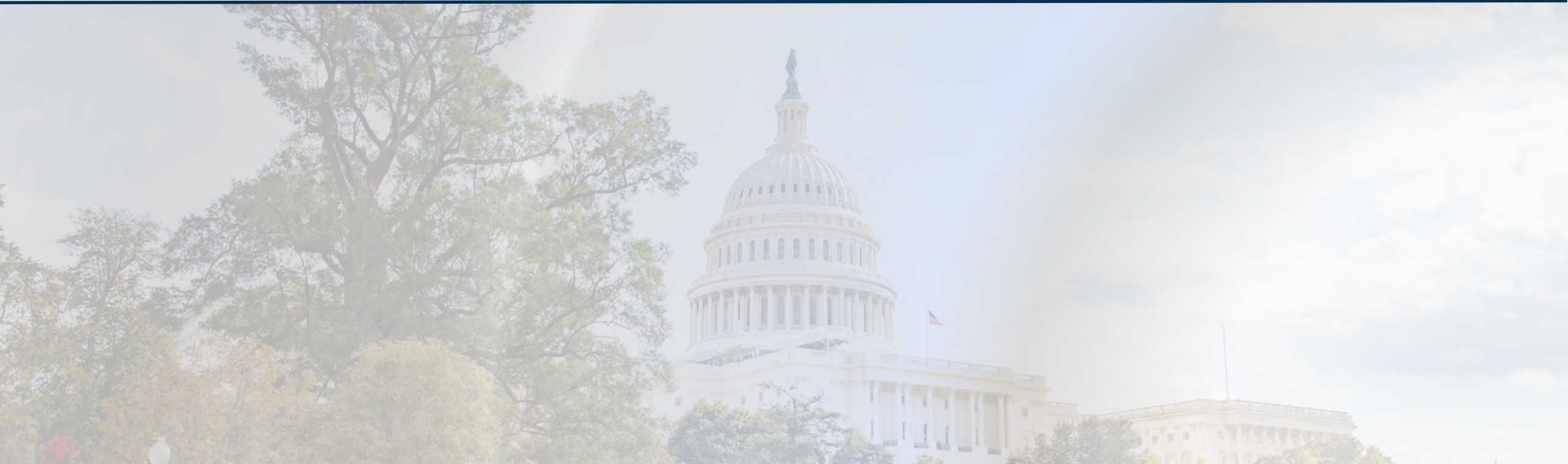
📌 EMPLOYEE RETENTION TAX CREDIT

- Available to any **non-governmental employer**
- Must have been **forced to fully or partially shut down** due to a government order OR **experienced more than 50% decline in gross revenue** in a quarter this year (compared to same quarter last year)
- **Not eligible:** State agencies, local agencies, subdivisions of states, instruments of state or local government
- Refundable tax credit worth 50% of eligible employee compensation (up to \$5,000 per employee)
- **Families First Coronavirus Response Act:** These benefits cannot be included in employee compensation calculation

📌 DEFERRAL OF EMPLOYER PAYROLL TAXES

- Available to **all employers and self-employed individuals**, including governmental entities
- **Not eligible:** Anyone who has SBA interruption loans forgiven under the Payroll Protection Program
- Can only be claimed by **direct employers**, not third-party payroll administrators or Professional Employer Organizations
- **Defer the employer portion of Social Security taxes** owed this year to 2021 (50% deferred taxes must be paid) and 2022 (remaining balance must be paid)

FEDERAL GRANTS for **AIRPORTS** and **COMMUNITY DEVELOPMENT BLOCK GRANTS**



WHO IS ELIGIBLE?

📌 PUBLIC or PRIVATE OWNERS of PUBLIC-USE AIRPORTS

At least **\$7.4 billion** in funding will be distributed according to the following formula:

50% will be allocated among all commercial airports based on an airport's 2018 enplanements.

50% will be targeted to help airports with larger debt based on an airport's FY 2018 debt service and its unrestricted capital reserves.

📌 COMMUNITY DEVELOPMENT BLOCK GRANTS

\$5 billion in additional funding for the (CDBG) program to help states and local governments

Up to **\$2 billion** will be allocated to FY 2020 CDBG grant recipients. These funds will be disbursed within 30 days of the law's enactment.

\$1 billion will be granted to states. These funds will be disbursed within 45 days of enactment. States and localities may use funds to cover coronavirus-related costs regardless of when those costs were incurred.

At least 70% of CDBG funds must be used for activities that **benefit low- and moderate-income people.**

QUESTIONS?

For resources, please visit:

[Ustravel.org/ReliefResources](https://ustravel.org/ReliefResources)

