



Dear Members of Congress:

On behalf of the Asian American Hotel Owners Association, I am asking for your dedicated efforts to support America's hoteliers during this health and financial crisis caused by the outbreak of the COVID-19 virus. AAHOA represents nearly 20,000 small business owners who own nearly 50% of all hotel properties in the United States. Our members are predominantly franchisees who own and operate their own small businesses and license the names and standards of well-recognized hotel brands. Moreover, AAHOA members employ more than 600,000 American workers and contribute to the national economy through job creation, real estate development, and community investment.

For hotel owners across the country, the primary objective during this outbreak has been to ensure the health and safety of guests and employees at our properties. Since the first cases of the coronavirus were reported in the United States, hoteliers have implemented increased sanitation protocols, provided specialized training to staff, and doubled down on the monitoring of our facilities. As hospitality professionals and service industry employers, hoteliers are wholly committed to caring for both the guests that stay with us and the dedicated employee partners who serve those guests.

Over the past several weeks, it has become clear that maintaining clean and safe hotels is not enough to ensure continued travel throughout the country. As the virus has spread and governments, businesses, and communities have limited travel out of caution and care, hotels have seen a dramatic and previously unanticipated drop in occupancy. As conventions, festivals, shows, concerts, sporting events, weddings, and gatherings of all kinds have cancelled, the effects have been devastating to local community businesses that depend on tourists and travelers to survive.

The hotel business is small business. Employers and employees are very close and often spend years and careers working together. In our business, occupancy rates are the key metric for hotel owners and their employees. As occupancy falls, it becomes increasingly difficult to pay the mortgage from month to month. There are also fewer guests to serve, rooms to clean, passengers to shuttle, and meals to prepare.

Consequently, hoteliers and their employees are suffering at levels that have not been seen in recent memory, and in some cases, ever. This is not simply a storm that the industry will weather as we have done before. It is a shockwave that will have consequences and repercussions for years to come. The virus has and will continue to devastate our industry. I have already heard from our members who do not know how they will keep their doors open in the next two months, who have been forced to lay off employees who have been with them for nearly a decade, and who are extremely fearful of the uncertainty surrounding this truly existential crisis.

We appreciate the importance of the deliberate nature of your work on the pandemic response nationwide. We recognize the importance of first working to address the immediate health risks for all Americans and to ensure the scientific community has the tools necessary to ensure public safety. We also appreciate your work in next addressing some of the most vulnerable members of society who are suffering from the economic impacts of this emergency in providing a safety net to American workers.

As a next step, I urge you to champion the cause of small businesses and the travel and tourism industry. Most importantly, small businesses need access to capital so we can pay employees and meet expenses. Hoteliers have already begun working with their banks to find creative solutions. Some of those temporary payment measures will require understanding from regulators. In addition to economic stimuli driven by Congress, we urge your support of regulatory flexibility.

Our businesses are in every community across the country and are a top five industry in nearly every state in the union. The support you provide our industry will ensure businesses can remain open and we can continue to employ workers in our communities.

The solutions below will help to stimulate our economy at a time when we badly need it. I appreciate your consideration and look forward to working with you and your teams on additional ideas that will help our country recover.

Support regulatory flexibility for lenders that pursue workout arrangement with affected business borrowers

Through no fault of their own, hotel owners are facing extreme economic hardships, particularly in meeting the mortgage obligations on their hotels. Hotel owners have already begun working with their banks to find the capital necessary to keep their business running. Workout arrangements, including but not limited to interest only payments, reduced payments, temporary forbearance, and increasing the amortization period, are ideas that can provide short term remedies and enable businesses to remain open. Examiners can compound the impacts of this financial crisis by classifying these loans as substandard and dissuade lenders and borrowers from accomplishing critical, appropriate, and immediate short-term solutions. Congress has recently expressed the importance of regulatory flexibility for individual borrowers, and we urge that that same flexibility be extended to small businesses as well.

Employee Retention Tax Credit

The dramatic outbreak of the virus has forced conferences, group events, and public gatherings to cancel and close across the country. These closures have dramatically reduced occupancy and left hoteliers without guests to serve. As a result, hotel owners are increasingly unable to make payroll and retain employees. The credit would provide a temporary business tax credit worth 40% 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. Similar relief was provided after Hurricanes Harvey and Irma.

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

Hoteliers are facing a net operating loss this year due to the severe declines in travel, making it harder for them to meet their obligations and stay open. Business closures due to sustained losses could have a cascading effect on credit markets and the larger economy. Allowing taxpayers to carry back net operating losses over the previous five years would help mitigate these adverse effects. 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, business could carry back a NOL to obtain a refund for taxes paid in the prior two years of the loss or carry it forward for 20 years to reduce taxes owed in the future.

Allow Businesses to Defer Tax Liability

Deferral of income tax liability will ease financial burdens and enable hoteliers to meet immediate obligations that will benefit their communities and the national economy. Allow businesses to defer a portion of their 2020 federal tax liability, to be paid 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%.

Optimize the SBA 7(a) Loan Program to Support Small Businesses and their Employees

The sudden decline in consumer spending is making it hard for hoteliers to meet payroll obligations and debt payments. To help small business owners generate cash flow, continue to make investments, and keep employees on the payroll, optimizing the 7(a) program would be beneficial. In the wake of the Great Recession, Congress optimized the SBA 7(a) loan program by eliminating loan fees entirely and providing a higher loan guarantee percentage. Congress could also consider increasing the maximum loan amount in the SBA 7(a) program.

Provide Temporary Payroll Tax Cut

To help stimulate economic activity and begin recovery, cutting the employee and self-employed shares of Social Security payroll taxes by two percentage points temporarily would greatly benefit hoteliers – much like the payroll tax cut in response to the 2008 financial crisis.

Create a Temporary Travel Tax Credit

To begin the economic recovery, hoteliers will need heads in beds. Domestic and international travel has cratered. We urge Congress to encourage near-term travel business and leisure spending. To that end, we request that Congress develop an entirely 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 2008 housing crisis. Specifically, the tax credit would be worth 50% of qualified travel expenses incurred in the U.S. between May 1 and December 31, 2020, up to a maximum tax credit of \$2,000 per household. Qualified travel expenses would explicitly include lodging, among other activities.

AAHOA is grateful for Congress' diligent and immediate attention to the COVID-19 public health crisis, which impacts not only the health and well-being of the American people, but also our nation's economy. It is our hope that Congress correctly recognizes the urgent need to assist the travel and tourism industry during this uncertain time. Thank you for your leadership.

Sincerely,

Cecil P. Staton
President and CEO
AAHOA