



March 18, 2020

The Honorable Donald J. Trump
President
The White House
1600 Pennsylvania Ave, NW
Washington, DC 20500

The Honorable Nancy Pelosi
Speaker of the House of Representatives
United States Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

Dear Mr. President, Speaker Pelosi, and Majority Leader McConnell:

The National Restaurant Association represents one of the cornerstones of every community – a restaurant that Americans call their own. From nationally-known chains, to favorite local independents, to corner diners, we are an industry that is the first stop for individuals looking to nourish themselves and their families. We are proud to be the country's second-largest private sector employer, and our commitment to bringing everyone together at our tables will never waver.

The coronavirus poses unprecedented challenges to this country, and we applaud your collective efforts to minimize its impact and keep the American people safe. You have taken aggressive steps to promote our public health and provide needed benefits to our nation's workers. But as you can expect, as an industry that is based on welcoming everyone through our doors, we are uniquely affected by mandates that keep us from serving our customers. We are revising our business model to provide meals in different ways (takeout, delivery, safety-enhanced dine-in), but we are facing economic headwinds that will lead many restaurants to shut down operations, lay off workers, and end our service in our communities.

Economically, we are anticipating sales to decline by \$225 billion during the next three months, which will prompt the loss of between five and seven million jobs. The restaurant industry is one of low margins, tight cash flow, and a workforce that depends on us for their livelihood. Without aggressive and immediate action from the federal government, many restaurants that are a staple of local communities will simply never resume service.

We urge you to take critical steps to support America's restaurant industry and the 15.6 million workers we employ. Specifically, we urge you to enact the following proposals targeted at our industry during this time of uncertainty:

Direct/Targeted Financial Relief

- **Authorize the Department of Treasury to create a \$145 billion Restaurant and Foodservice Industry Recovery Fund.** The restaurant and foodservice industry needs immediate liquidity to compensate for reduced revenue attributed to coronavirus-related declines in order to pay employees, maintain service operations, meet transactional and financial obligations. In order to maintain solvency, direct Treasury to create the program within 15 days of enactment and provide grants with minimal procedural delay. According to internal analysis by our economists, a three-month shutdown of the restaurant industry would result in:
 - an immediate sales decrease of \$225 billion (25% of the estimated \$899 billion 2020 annual sales);
 - an immediate economic impact of \$675 billion (since every dollar spent in restaurants generates an additional \$2 elsewhere in the national economy);
 - a minimum loss of 5-7 million jobs.

- **\$35 billion for Community Development Block Grants for Disaster Relief (CDBG-DR) assistance.** This program is utilized when regions and communities – and their local businesses – may not recover after a federally declared emergency or disaster. The unprecedented business disruption for restaurants and hospitality industry companies has led to significant concerns about whether businesses will be able to reopen this year. This targeted financial assistance will allow some businesses to maintain their commitment to their communities and hopefully prepare for a return to normal operations.
 - After 9/11, the CDBG-DR Business Recovery Grant program provided grants to businesses with fewer than 500 employees with compensation based on days of lost gross revenue. Maximum grant amounts of \$50,000, \$100,000, \$150,000, and \$300,000 were available, depending on the location of the business.
 - \$3.483 billion in 2001 and 2002 appropriated via three different supplemental bills for assistance to Lower Manhattan and the State of New York.

- **Assistance in allowing businesses to defer mortgage, lease and loan obligations.** Most small businesses do not have long-term cash reserves, and as the impact of COVID-19 places downward pressure on cash flow, small businesses may have difficulty making payments on mortgages, rent, leases and loans. We urge Congress to consider taking steps to ensure lenders offer temporary waivers on penalties on mortgages or other debt by small businesses.

Loans/Insurance Options for Impacted Small Businesses

- **\$100 billion in Federally-Backed Business Interruption Insurance.** As of March 17, 28 States or territories have ordered closures for their restaurants and bars. An additional number of counties and municipalities have also mandated closures. This has a dramatic effect on a restaurant, its workforce, and economic uncertainty. While many businesses have invested in Business Interruption Insurance and Contingent Business Interruption Insurance, most policies can deny claims due to a “Virus” exclusion.
 - Rather than engage in a protracted dispute and arbitration process, Congress must approve a timely insurance program through the U.S. Treasury Department that allows for businesses to receive their insured benefit under an expedited

time frame. As we enter a 12-to-18 month period of tremendous uncertainty in the hospitality industry, these insurance claims must be approved quickly and utilize a federal backstop similar to the program created for airlines after 9/11/2001.

- **Federal Loan Program Equal to Lost Revenue.** Create a federal loan program for a business to get a loan equal to lost revenue during an emergency three-month period, with the option for extension through 2020. The loan would receive forgiveness as long as the employer keeps its workers on the payroll without reducing their pay, including workers self-quarantining or on paid sick-leave.
 - Before coronavirus, the recruitment and retention of employees was the top challenge for the restaurant industry. Amid this current massive economic disruption, the industry may lose its workforce for years to come. This critical legislation would permit employees to stay on payroll, maintain employer benefits, and avoid additional long-term harm to the restaurant industry.
 - This legislation also keeps more Americans in the workforce rather than on public assistance – when the ongoing public health emergency subsides, Americans will be ready to get back to work.
- **\$45 billion in expanded access to effective, efficient and affordable federal and conventional loans.**
 - After 9/11, there was up to \$4.5 billion in SBA-backed loans for “adversely affected” small businesses. Examples of economic harm in the 9/11 program included 1) difficulty in making loan payments on existing debt; 2) difficulty in paying employees or vendors; 3) difficulty in purchasing materials, supplies, or inventory; 4) difficulty in paying rents, mortgages, or other operating expenses; and, 5) difficulty in securing financing.
 - Given the national implications, the funding amount should demonstrate the greater loan amounts at a multiple of ten.
- **\$130 Million in Disaster Unemployment Assistance (DUA)**, which will help employees with financial benefits during interrupted employment due to closures and other emergency-related hardships. DUA benefits are payable to individuals (whose unemployment continues to be a result of the major disaster) only for weeks of unemployment in the Disaster Assistance Period (DAP).
 - According to the U.S. Department of Labor, 3,210 eligible individuals in New York received DUA benefits totaling \$12,554,733, and 541 eligible individuals in Virginia received DUA benefits totaling \$294,847, as of August 2002.

Tax Measures

- **Fix the Qualified Improvement Property (QIP) technical correction.** Congress can help the economy immediately by fixing QIP so that businesses can (a) amend their returns and receive money back that they effectively overpaid in taxes, and (b) receive the benefit of bonus depreciation, as a stimulus measure. This fix has been scored at a zero-cost to the federal government.

- **Assistance in allowing businesses to delay, defer, or forgo tax obligations.** Tax and financial forbearance from States and banking institutions on sales & income taxes, property taxes and other payments that directly impact a small business's cash flow. States must expedite refunds for any over-payments of estimated taxes.
- **Tax credits for businesses that are retaining employees.** Congress can quickly pass the Employee Retention Tax Credit (ERTC), which has been utilized to protect employees and employers during similar emergency situations.
- **Reduced credit card interchange fees,** expanding upon the Durbin Amendment under the Dodd-Frank legislation.
- **A Temporary Payroll Tax Cut that increases economic activity.** Reduce the employee shares of Social Security payroll taxes by two percentage points (from 6.2% to 4.2% for employees) and hold the Social Security Trust Fund harmless through a transfer of general revenue. Employees/consumers will receive more pay in each paycheck immediately through a reduction in payroll tax withholdings.

Taken together, these proposals will ensure that restaurants have increased liquidity and access to necessary financing to help them survive the dramatic loss in profits caused by the coronavirus.

In the coming days, the Association will submit additional recommendations to address the challenges confronting our restaurant owners and operators as this situation rapidly unfolds.

Thank you for your leadership. We look forward to working with you in the days ahead.

Sincerely,



Sean Kennedy
Executive Vice President, Public Affairs

cc: Honorable Steven Mnuchin, Secretary of the Treasury
Honorable Chuck Schumer, Senate Democratic Leader
Honorable Kevin McCarthy, House Republican Leader

Statement

Restaurants need a government lifeline during this crisis that will allow employees and owners to weather the storm and be ready to spring back into action quickly. Our communities need restaurants in a position to stimulate our local economies, help our employees get back to work, and generate tax revenue when this crisis subsides.

Guidance on Restaurant Closures

- State and local governments looking to close restaurants should rely on science to make any decisions regarding closures.
- If a state or local government determines that it needs to prohibit dine-in service for restaurants, it should allow restaurants to offer takeout, drive thru, and delivery.
 - These operations involve minimal interactions between people (less person to person contact than someone going to a grocery store).
 - Grocery stores are currently experiencing product shortages and significant crowds. Restaurants have significant food inventory that can help feed our communities and alleviate crowding at grocery stores.
 - A regulation that completely closed restaurant operations will result in significant food waste that could be used to feed our communities.

Guidance for Economic Stimulus

Cash flow is key for the restaurant industry currently as customer traffic and sales have plummeted. Below is a menu of options for policymakers to assist the restaurant industry during this critical time.

- Direct Aid to Restaurants and Employees:
 - State grants to small businesses; ensure that such support is not limited to restaurants that have closed but to any that can easily demonstrate significant hardship.
 - Tax credits with expedited processing for retaining employees during the COVID-19 crisis.
 - Regulatory relief for restaurants regarding unemployment claims.
- Taxes and Fees:

- Suspend meals taxes indefinitely or allow restaurants to keep meals tax revenue. If a government maintains a meals tax, money should be used to promote restaurant industry to residents within its taxing jurisdiction once crisis is over.
- Delay sales tax remittance for restaurants, such as a 90 day extension for remittance.
- Suspend indefinitely business improvement and other hospitality fees/taxes.
- Suspend or defer property, estimated income, and franchise taxes (in effect providing a loan).
- Quickly refund overpayment of estimated taxes.
- Payment Relief:
 - Prohibit landlords from evicting restaurants for non-payment of rent during the COVID-19 crisis. Allow restaurants to pay back rent over a series of months after the crisis abates.
 - Prohibit utilities from shutting off services to restaurants during the COVID-19 crisis due to lack of payment.
 - Extend the window for restaurants to make payments on COVID-19 related expenditures.
- Government Mandates:
 - Suspend any government mandates set to come into effect in the next two months.
 - Lift cashless transactions bans in applicable jurisdictions to facilitate better off-premise ordering and delivery.
 - Suspend mandatory scheduling regulations in applicable jurisdictions to give employers scheduling flexibility.
- Delivery Regulations:
 - Cap or reduce delivery fees for restaurants on third party delivery.
 - Allow restaurants with valid liquor licenses to delivery alcohol to customers.