



NATIONAL
RESTAURANT
ASSOCIATION

BLUEPRINT for RESTAURANT REVIVAL



July 15, 2020

Helping community cornerstones and their employees
A plan for short-term restaurant survival and long-term industry recovery

More information: RestaurantsAct.com

SHORT-TERM RELIEF TO RESTART THE RESTAURANT INDUSTRY



1. CREATE A RESTAURANT RECOVERY FUND for structured relief to foodservice establishments

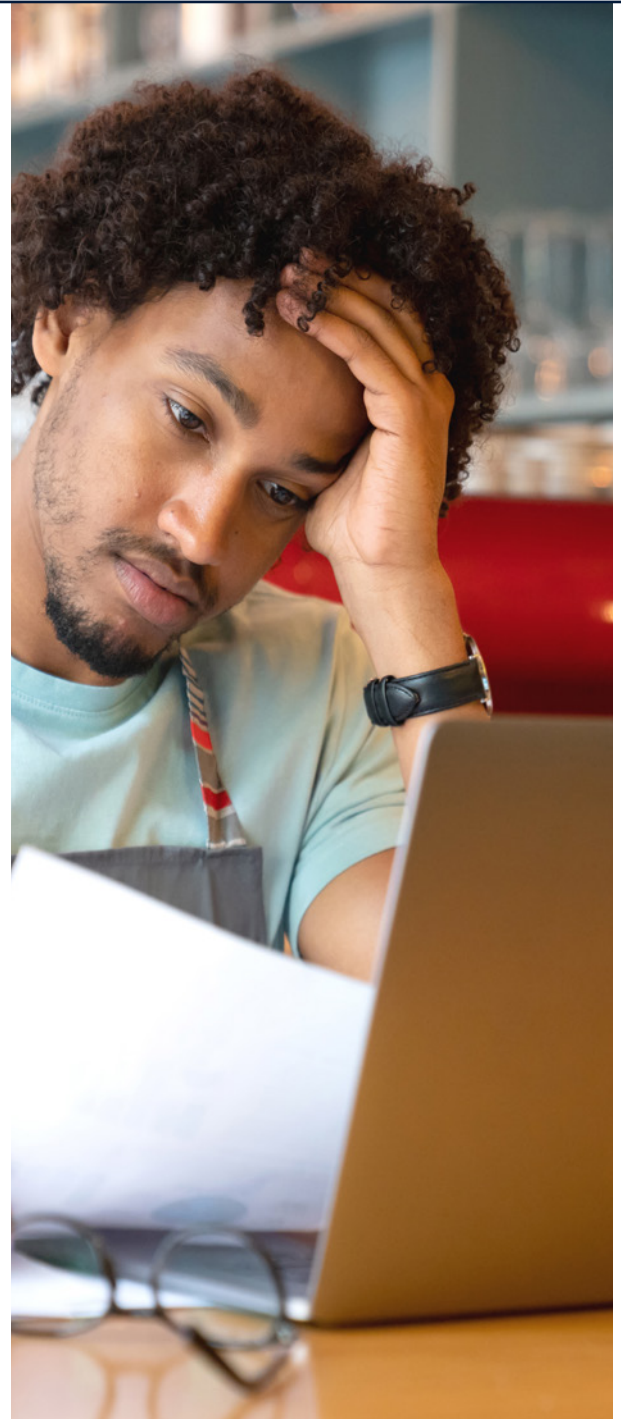
Restaurants need a tailored relief measure for immediate liquidity to compensate for lost revenue tied to ongoing closures and restrictions of our operations. Given the evolving reopening “start again, stop again” landscape, the urgency for this recovery solution grows daily.

The National Restaurant Association worked closely with Senators Roger Wicker (R-MS) and Kyrsten Sinema (D-AZ) on legislation to establish a **\$120 billion recovery and revitalization fund** for foodservice or drinking establishments devastated by the coronavirus pandemic.

The “Real Economic Support that Acknowledges Unique Restaurant Assistance Needed to Survive Act” (RESTAURANTS Act), S.4012, would provide grants from the Treasury Department to eligible entities that own or operate 20 or fewer establishments (together with any affiliated business), regardless of the type of ownership of the locations and whether those locations do business under the same or multiple names.

Grants are capped at \$10 million per eligible entity and **can be used to cover a variety of costs including payroll, benefits, mortgage, rent, supplies, protective equipment, cleaning materials, and other costs.**

We urge the House of Representatives to endorse the Senate version of the RESTAURANTS Act and for both chambers to pass this vital proposal.



SHORT-TERM RELIEF TO RESTART THE RESTAURANT INDUSTRY



2. Enact a **SECOND INSTALLMENT OF THE PAYCHECK PROTECTION PROGRAM (PPP)**

The National Restaurant Association calls for a second round of application eligibility open to entities that received an initial eight-week loan. These loans would **maintain the current PPP regulatory structure – with particular support for small businesses, minority-owned and women-owned businesses, and small businesses in underserved and rural markets.** For the structure of PPP, a second round must preserve both the SBA's "Affiliation Rules for Paycheck Protection Program" issued April 3 and the improvements of the Paycheck Protection Program Flexibility Act (PPFPA) signed into law on June 5.

The initial PPP provided eight weeks of vital short-term relief, but the challenges facing our industry have not gone away and restaurants have exhausted their PPP loans.

We recommend that a **qualifying revenue loss for PPP funds be tied to a 20% reduction in gross receipts.** This new PPP should help address access to credit issues experienced by too many small businesses, contributing to a staggering 41% drop in Black-owned businesses from February to April 2020.

Finally, we call for a **streamlined forgiveness process for both round one and round two PPP loans, which would preserve time and money for restaurants.**



SHORT-TERM RELIEF TO RESTART THE RESTAURANT INDUSTRY



3. Allow business expenses paid with a forgiven PPP loan **TO BE TAX DEDUCTIBLE**

Small businesses must be able to deduct eligible expenses paid with a forgiven PPP loan from their federal taxes. **The Internal Revenue Service (IRS) currently states that small businesses cannot deduct traditional “ordinary and necessary” business expenses – such as payroll, rent, mortgage payments, and utilities – from their federal tax obligations.** Given that Congress designed the PPP to provide essential liquidity for small businesses, this IRS notice must be corrected to reflect legislative intent.

Without this relief, millions of small businesses will face tremendous tax liabilities. For example, a small restaurant group in Indiana used a PPP to retain 54 employees. Due to the IRS decision, they now owe \$182,000 in unexpected taxes just as they attempt to recover. We encourage bipartisan efforts to resolve this timely issue.

SHORT-TERM RELIEF TO RESTART THE RESTAURANT INDUSTRY



4. Create a **LONG-TERM LOAN PROGRAM**

While the PPP provides a critical, short-term bridge for restaurants, additional relief will be needed to help address liquidity issues over a substantially longer time frame. Congress must advance bipartisan solutions to address this issue, helping restaurants rehire, retrain and retain their valued employees. **A long-term loan program should be created that would provide at least six months of operating costs, including payroll, and allow for partial forgiveness** (proportional to a percentage of revenue losses during COVID-19).

The program should have favorable terms such as **deferred payments, low interest rates, a long-term maturity, and the backing of a strong federal guaranty.**

5. Enhance the **EMPLOYEE RETENTION TAX CREDIT (ERTC)**

As regions struggle with COVID-19 outbreaks, the ERTC provides key support for restaurants wanting to keep their employees on payroll during short-term or long-term closure orders. However, **restaurants need expanded access to ERTC for the amount, the duration, and the number of businesses that are eligible.**

Additionally, any legislation should improve **coordination between the ERTC and the PPP so that employers can be eligible for the ERTC after a PPP loan runs out**, ensuring employers access to both programs but with guardrails in place to prevent double-dipping.



SHORT-TERM RELIEF TO RESTART THE RESTAURANT INDUSTRY



6. Bolster funding and improve terms for **ECONOMIC INJURY DISASTER LOANS (EIDLs)**

Restaurants are in dire need of working capital to finance operations, purchase safety and protective equipment, and restore inventory supplies for their customers. While many small businesses have experienced challenges with the EIDL program, restaurants need all options available to manage day-to-day economic headwinds. Congress should **replenish funding for both EIDLs and advance grants, create a new EIDL advance grant for businesses with major revenue reductions due to COVID-19, and offer lower interest rates.**

7. Provide a **TAX CREDIT FOR CUSTOMER AND EMPLOYEE WELLNESS INVESTMENTS**

Restaurants are making significant capital investments in ensuring the safety of our employees and guests, including contactless payment services, modification of physical facilities to accommodate continued social distancing, enhanced sanitization, employee education and training, and the expanded use of personal protective equipment and disposable products. This relief should be designed as a **refundable tax credit to help restaurants shoulder these costs, bolster public confidence, and most importantly, ensure the well-being and safety of employees and customers.**



SHORT-TERM RELIEF TO RESTART THE RESTAURANT INDUSTRY



8. Address **BUSINESS INTERRUPTION CLAIMS** for impacted small businesses

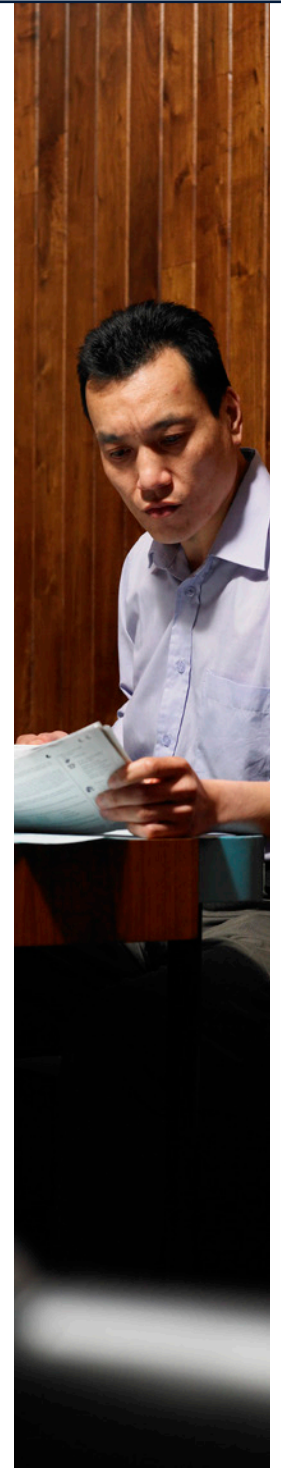
To ensure that the market for pandemic insurance remains available and affordable to businesses in the United States, the Association supports the passage of a federal backstop for pandemic insurance. Before the COVID-19 pandemic, some commercial insurance policies contained exceptions for business interruption or other losses due to a pandemic. But countless policies that did not contain such exceptions have been consistently and improperly denied by insurers, resulting in a growing list of state and federal lawsuits. **The refusal of coverage by insurers has proven devastating for some businesses and their employees. Without federal support, pandemic insurance will be very expensive and difficult to find, putting it out of reach for most businesses.** Its need has been proven by the current COVID-19 crisis.

We urge creation of a federal program to support business losses due to a pandemic.

9. Provide **LIABILITY PROTECTION** for American Businesses

Restaurants are highly regulated at the federal, state, and local level for food safety, hygiene, and sanitation — and additional government rules are being imposed to further protect customers from coronavirus. As we work to reopen our doors and serve local communities, we face unique vulnerabilities from fraudulent or frivolous lawsuits over exposure to COVID-19. **The financial risk of being dragged into court is leading many restaurants to consider shutting down, or diverting resources away from rehiring staff or expanding service options for customers.**

Because the COVID-19 crisis is a global pandemic, and not caused or spread by any one type of business or employee, Congress should enact **temporary and targeted liability protections.** These protections should still **allow for claims based on willful misconduct by bad actors as well as for violations of food, safety and workplace laws.** Liability protections can help provide certainty and predictability for restaurants as they work to regain solid footing.



ENSURE STABILITY OF AMERICA'S FOOD SUPPLY CHAIN FROM FARM TO TABLE



1. Prioritize **ACCESS TO COVID-19 TESTING AND VACCINE DISTRIBUTION** for the food and agriculture supply chain

Our nation's food supply chain is part of the critical infrastructure that has provided Americans with safe, nourishing, and affordable food during this crisis. **To ensure this system can continue to operate safely, we recommend that as more testing becomes available and a vaccine is developed, the Administration prioritize the food and agriculture supply chain, including restaurants, after our nation's health care workers, first responders and high-risk individuals.** Ensuring that adequate testing, timely test results, protective equipment, and vaccines are available to the industry will help us maintain a safe and secure supply chain from farm to table.

We also support initiatives that improve the federal government plans for effective testing of infectious diseases. Our nation is in desperate need of increased government and public health coordination to detect infectious diseases and prevent future outbreaks. As such, we support **modernizing the government's approach to testing and eliminating gaps, which ultimately will help our nation's food supply chain feed American families, especially during times of crisis.**



ENSURE STABILITY OF AMERICA'S FOOD SUPPLY CHAIN FROM FARM TO TABLE



2. Enact **PAYROLL TAX RELIEF FOR ESSENTIAL WORKERS**

Supporting essential workers as they serve the nation during this difficult time is critical to ensure they can continue to fight the war against COVID-19 and keep our food supply chain safe. As such, **tax relief for these essential infrastructure workers in the form of a suspension of federal income and payroll taxes for wages earned** by food and agriculture workers, including restaurant workers, is essential.

Supporting essential workers as they serve the nation during this difficult time will also incentivize their continued commitment to work and keep Americans fed.

HELP RESTAURANTS SUPPORT AT-RISK COMMUNITIES



1. Help restaurants **FEED THEIR COMMUNITIES**

During this crisis, restaurants around the nation have stepped up to feed local communities, especially their vulnerable populations. To continue this important work, we support **providing federal funding to programs accessible by states and localities to partner with restaurants and nonprofits to prepare meals for vulnerable populations including seniors and underprivileged children.** These programs would allow nonprofits, which have been collaborating with restaurants since the beginning of the pandemic, to continue partnering with restaurants to prepare food for these at-risk communities.

2. Increase access to **RESTAURANT MEALS FOR LOW-INCOME AMERICANS**

As the COVID-19 crisis continues to impact our food supply chain through restaurant closures, supply chain shortages and food distribution disruptions, **more access to affordable food is critical for low-income people.** In order to address the issue of increased hunger we encourage Congress to:

- 1.** Create programs that authorize funding to states to contract with restaurants and provide nutrition benefits to low-income participants during the period of the pandemic;
- 2.** Expand the population of people eligible for benefits under the Restaurant Meals Program to ensure that all Supplemental Nutrition Assistance Program (SNAP) participants can access food at restaurants, and make it easier for states and restaurants to participate.

These initiatives would **reduce hunger, particularly among families with children, and lead to economic recovery of local restaurants nationwide.**

