



White House considers tourism tax break for Americans wary of vacations in pandemic

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A proposal to boost tourism by providing tax breaks for Americans who travel inside the United States is being “actively” considered by the White House for inclusion in the next coronavirus stimulus package.

Three White House officials told McClatchy the tax credit for travel, which has been sharply curtailed by the coronavirus pandemic, is among the economic recovery proposals under discussion. They plan to make a formal recommendation to Congress next month.

“One of the things that is very much on the table is a tax deduction for Americans to do tourism activities,” one senior White House official said.

The U.S. Travel Association has proposed a tax incentive for travel of up to \$4,000 per household to help restart domestic business and leisure travel.

The association’s proposed tax credit would allow for a refund of 50 percent of qualified travel expenses through the end of 2021, with qualified expenses defined as any purchase over \$50 during travel inside the United States on “meals, lodging, recreation, transportation, amusement or entertainment, business meetings or events, and gasoline.”

President Donald Trump at a May roundtable with restaurant executives similarly pushed an “Explore America” tax credit, which he said could be used for “domestic travel, including visits to restaurants.”

An amount for the possible tax break or timeframe for Americans to use it has not been decided, the White House officials who spoke to McClatchy said. The tax break is still under discussion and is not guaranteed to be included in the legislative package the White House presents to Congress.

Kevin Hassett, a senior adviser to the president, said last week that Trump supports a tax incentive “to help people explore America” at a time when the travel and hospitality sectors have been hit hard.

The president’s National Economic Council director, Larry Kudlow, said the incentive could come in the form of a tax deduction, tax credit or a refundable credit.

“Pretty much from day one we’ve looked at that, and there seems to be a very broad agreement with congressional members that that would be a good thing to do,” Kudlow said.

A third White House official said the White House is “actively considering” the tax break and that a deduction could be introduced for a limited scope of time.”

Tori Emerson Barnes, executive vice president of public affairs and policy at the U.S. Travel Association, said the organization saw \$4,000 as a “meaningful” amount that could encourage Americans who canceled their vacations amid the pandemic to travel again.

“The most important thing is a real stimulus that can help to encourage folks who obviously may feel uncertain about traveling to really help encourage them,” she said. “We hope that this will push them over and proceed with a trip, either leisure or business.”

Some potential travelers may decide to re-book travel, if they’re provided with a tax incentive, she said. “Given the uncertainty of the economic, of the broader economic challenges that the country’s facing, people also might want to hold onto their money a little bit more.”

Experts said there was also the question of whether a tax break would significantly spur tourism.

“It’s not clear if that credit would have a large impact on consumer spending on tourism, as most of the fall in spending is due to people avoiding that activity out of a public health concern, not because of the cost of tourist activity itself,” said Garrett Watson, senior policy analyst at the Tax Foundation, a Washington D.C.-based think tank.

“The credit would also leave out other industries and businesses harmed due to the pandemic, which means the credit or rebate would effectively pick winners and losers through the tax code,” he said.

Democratic congressional leaders were unfamiliar with the proposal when asked for comment by McClatchy.

The most recent legislative economic relief package passed last month by the House, where Democrats have a majority, has no such tax break. In the Republican-run Senate, no action is expected on any coronavirus-related economic plan until mid-July.

Senate Majority Leader Mitch McConnell’s office did not respond to a request for comment.

McConnell, a Republican from Kentucky, has said repeatedly he wants to wait and see how the economy performs over the next few weeks before backing anything.

The White House has also said it wants to wait to begin formal negotiations with Congress until after the June jobs report is issued in the first week of July. Advisers to the president have told McClatchy that Trump would prefer to see tax incentives for businesses and consumers in the anticipated legislation rather than an extension of temporary benefits for jobless workers that were included in the previous economic recovery legislation.

Economic experts see the idea of a tax break for tourism as deeply flawed.

“The ‘Explore America Tax Credit’ idea the administration is considering is ridiculous. It’s the exact kind of economic micromanagement that conservatives usually say they are against,” said Chris Edwards, director of tax policy at the libertarian Cato Institute.

Edwards noted that the 2017 tax cut aimed to simplify the nation’s tax code. It increased the standard deduction and limited several specific deductions, such as state and local taxes.

“Adding back special credits to the tax code, such as a tourist credit, would reverse course and add complexity,” he said.

Howard Gleckman, senior fellow at the Urban Institute, a nonpartisan Washington, D.C.-based research group, said the government shouldn’t be selecting certain industries for favoritism.

“Targeted tax breaks are almost always poor tax policy. Why should government select only certain industries for special tax benefits when so many businesses have been hit hard? Is a hotel more deserving than, say a bookstore or a gym?” asked Gleckman, a senior fellow Washington-based research group.

Adam Michel, a senior policy analyst at the Heritage Foundation, a conservative think tank, said he was “skeptical” that targeting specific industries for “special” treatment is “good policy,” even during a pandemic.

“I don’t see any particular value of people traveling over going out to their local bar or fitness. Your local gym is devastated right now,” he said. “Whatever the industry is, everyone is going to be lining up for assistance, and I’m not sure why the tourism industry is compared to all those others.”

Michel said that the government should address consumers’ root problems — fear of travel and prohibitions on travel because of the spread of the coronavirus — before turning to new subsidies for certain industries.

“That being said, I would much rather any subsidy for the industry go through people rather than directly to the business,” Michel told McClatchy. “Better [to] incentivize someone to go on vacation themselves rather than to just write big checks to the airline industry or the hotel industry.”