

RCL CARESSM

Travel Partner Support Program



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FREQUENTLY ASKED QUESTIONS

Why is the Royal Caribbean Group launching RCL Cares – Travel Partner Support program?

The travel agent community has been an integral part of our business since day one, in good times and bad. So now more than ever we dedicate ourselves to advocating for YOU, our business partners, our family. We are here for you now, to ensure that you get access to the tools and assistance necessary to keep your business moving forward. We have set up a team of support personnel to field your questions regarding how the CARES Act can help your business. We are here for you and always will be.

FAQS FOR THE SMALL BUSINESS PROVISION & UNEMPLOYMENT BENEFITS OF THE CARES ACT

- 1. What is the CARES Act?** The CARES Act is the updated version of the Coronavirus Aid, Relief and Economic Security (CARES) Bill passed by the U.S. Senate on Wednesday, March 25. It was passed by the U.S. House of Representatives and signed into law on Friday, March 27. The law, as enacted, adds to earlier versions of the CARES Act and sets aside roughly \$2 trillion of aid in the wake of the coronavirus public health crisis and associated economic fallout.
- 2. What is the Paycheck Protection Program under CARES?** In general, a central provision of the CARES Act is the “Paycheck Protection Program,” which provides



forgivable Small Business Loans to businesses with 500 or fewer employees, including sole proprietors and other self-employed individuals. In general, if you keep all of your employees, the loans are forgivable if the company uses the funds for payroll and other certain associated expenses to keep their business open.

Please see additional detail below regarding forgiveness options. For more information visit the SBA's FAQ on the Payroll Protection Program [here](#) and the Treasury's Information Sheet on the Paycheck Protection Program [here](#).

3. **Where can I find more information about the Economic Injury Disaster Loan Program?** Information about the Economic Injury Disaster Loan Program can be found [here](#).
4. **How does a business apply for a loan under the Paycheck Protection Program?** Loans will be provided through existing SBA-certified lenders, including banks, credit unions, and other financial institutions.
5. **Where can I get the loan application?** The borrower application can be found [here](#). Find an eligible vendor [here](#).
6. **What businesses qualify for the Paycheck Protection Program?** According to the language of the bill, generally any business in operation on February 15, 2020 with no more than 500 employees is eligible. This includes:
 - Small businesses, as well as qualified nonprofit organizations;
 - Sole proprietorships;
 - Independent contractors;
 - Self-employed individuals.
7. **What is the maximum loan amount that a business can receive through the Paycheck Protection Program?** Each business can receive the sum of 2.5 times the average total monthly payroll costs for the prior year, up to \$10 million.
8. **What is the interest rate on the loans?** Interest rates are capped at 4%.
9. **Do I have to pay any origination fees on this loan?** No, both borrower and lender (bank) fees are waived for participation in the Paycheck Protection Program.



10. What is the loan coverage period? The covered loan period begins on February 15, 2020 and ends on June 30, 2020.

11. What are the qualifications to get the loans? Companies in operation on February 15, 2020, and had employees for whom salaries were paid, payroll taxes, or paid independent contractors, as reported on a Form 1099-MISC.

12. What can a business use the loan funds for? Businesses can use funds from the Program loans to cover the following expenses:

- Payroll costs, including compensation to employees;
- Payments for vacation time;
- Parental, family, medical or sick leave;
- Severance payments;
- Payments required for group health care benefits (including insurance premiums);
- Retirement benefits, and state and local employment taxes;
- Interest payments on any mortgage obligations or other debt obligations; incurred before February 15, 2020 (but not any payments or prepayments of principal);
- Rent; and
- Utilities.

13. Are there any expenses qualifying businesses cannot use the loan funds for? The loan funds cannot be used for:

- Compensation of individual employees, independent contractors, or sole proprietors in excess of an annual salary of \$100,000;
- Compensation of employees with a principal place of residence outside the United States; or leave wages already covered by the Families First Coronavirus Response Act.

14. Can I use the loan funds to pay for commissions? Yes, as it is considered part of payroll.

15. Will I need to have collateral to secure a loan under this Program? No. Personal guarantees will not be required to receive funds and no collateral needs to be pledged. The CARES Act also waives the requirement that a business show that it



cannot obtain credit elsewhere. In lieu of these requirements, borrowers must certify that the loan is necessary due to the uncertainty of current economic conditions; that they will use the funds to retain workers, maintain payroll, or to make lease, mortgage, and utility payments; and that they are not receiving duplicative funds for the same uses.

16. What about deferred payments on the loan? Payment of principal, interest, and fees will be deferred for at least 6 months, but not more than 1 year. Interest rates are capped at 4%. The SBA will not collect any yearly or guarantee fees for the loan, and all prepayment penalties are waived.

17. What happens if I can't repay the loan? The SBA has no recourse against any borrower for non-payment of the loan, except where the borrower has used the loan proceeds for a non-allowable purpose.

18. What are the loan forgiveness requirements? Borrowers are eligible for loan forgiveness for 8 weeks commencing from loan origination date for payroll costs and rent payments, utility payments, or mortgage interest payments. Eligible payroll costs do not include annual compensation greater than \$100,000 for individual employees.

- The amount of loan forgiveness may be reduced if the employer reduces the number of employees as compared to the prior year, or if the employer reduces the pay of any employee by more than 25% as of the last calendar quarter. Employers who re-hire workers previously laid off as a result of the COVID-19 crisis will not be penalized for having a reduced payroll for the beginning of the relevant period. Forgiveness may also include additional wages paid to tipped workers.
- Borrowers must apply for loan forgiveness to their lenders by submitting required documentation. They should receive a decision within 60 days.
- If a balance remains after the borrower receives loan forgiveness, the outstanding balance on the loan will have a maximum maturity date of 10 years after the application for loan forgiveness.

19. Are there any grants as part of the CARES Act? Yes, there are a series of grants for entrepreneurial development programs to be used for the education, training and advising of covered small business concerns and their employees:



- \$240 million for SBA Small Business Development Centers and Women's Business Centers
- \$25 million for grants to associations representing resource partners in several languages other than English
- \$10 million for the Minority Business Development Agency within the U.S. Department of Commerce to provide grants to Minority Business Centers

20. I'm an independent contractor. What unemployment benefits are available to me? Traditionally, independent contractors cannot claim state unemployment benefits. However, under the CARES Act independent contractors can receive benefits through state unemployment programs by certifying that they have been adversely impacted by COVID-19. The amount of benefits includes the amount that would be available to them under state law plus \$600 per week for up to four months. You will need to reach out to your state unemployment office for more details or to apply for benefits.

21. What is the "Relief for Workers Affected by Coronavirus Act" under CARES? This section of the CARES Act creates a temporary Pandemic Unemployment Assistance program through December 31, 2020, to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) that are unable to work as a direct result of the coronavirus public health emergency.

22. How can the "Relief for Workers Affected by Coronavirus Act" be applied to me? The Act makes major changes to unemployment assistance, increasing the benefits and broadening who is eligible. Typically, self-employed people, freelancers and independent contractors can't apply for unemployment but will now be able to. States will still continue to pay unemployment to people who qualify, the amount of which varies state by state as does the amount of time people are allowed to claim it. The Act adds an additional \$600 per week from the federal government in addition to whatever base amount a worker receives from the state. The boosted payment of \$600 will last for up to four months. The Act also provides an additional 13 weeks of unemployment benefits through 31 December 2020, once other unemployment benefits are exhausted.

- For more information on applying for unemployment benefits visit this [link](#).
- For links and contact information to your state unemployment center office visit this [link](#).



FAQS FOR EMPLOYER TAX BENEFIT AND BUSINESS TAX BENEFIT SECTION OF THE CARES ACT

23. Where can I find additional information regarding the paid leave credits under the Families First Coronavirus Response Act? For more information on the paid leave credits under the Families First Coronavirus Response Act you can visit the IRS's website [here](#) and the DOL's website [here](#).

24. In addition to the small business loans, are there any other provisions I might qualify for that provide me cash? Yes, there are several provisions which apply IN ADDITION to the small business loan provisions that might provide you with some cash:

- **Recovery Rebates:** All eligible individuals¹ with a social security number with income below a certain threshold (see below) will automatically receive \$1,200 if single, \$2,400 if Married [filing jointly], plus \$500 per child². No action needs to be taken, as the IRS will direct deposit (electronic payments will be automatic to an account the payee authorized 2018 or later) or mail payments automatically based on 2018 tax returns (or 2019 tax returns if already filed).
 - The rebate is not applicable for Single filers with income greater than \$99,000, \$146,500 for Head of Household with one child, or \$198,000 for joint filers (Married filing jointly) with no children.
 - Use of Retirement Funds: If you have a qualified retirement fund, you can withdraw up to \$100,000 from your account, if it is used for "coronavirus purposes", without incurring the 10% penalty that would normally apply. The CARES Act allows income to be spread ratably over a three-year period and allows repayment to another eligible retirement plan within the same three-year period. If a loan, rather than a withdrawal, is taken, dollar limits under existing law are increased to \$100,000 and repayments are not required to begin for one year.
 - Qualifying use of the retirement fund for coronavirus purposes includes having an individual, spouse or dependent diagnosed with COVID-19

¹ Generally, an eligible individual is any individual excluding (1) nonresident aliens, (2) individuals who can be claimed as a dependent by another taxpayer, and (3) an estate or trust.

² Individuals eligible for the credit would receive an additional \$500 for each child that qualifies for the child tax credit—generally a taxpayer's dependent child that is aged 16 or younger.



(even if it not used for medical care). In addition, even without a COVID-19 diagnosis, anyone who is experiencing adverse financial consequences because of COVID-19 qualifies (e.g., Layoff, furlough, reduced hours, closed or reduced business hours).

25. Besides the Paycheck Protection Program/loans, are there any other provisions that could help my business making difficult decisions related to my employees? Yes, there are a couple of provisions that provide incentives to retain your employees.

- **Employee Retention Credit:** CARES Act Section 2301 creates a new employee retention credit (the Retention Credit) for wages paid from March 13, 2020 to December 31, 2020, by employers that are subject to closure or significant economic downturn due to COVID-19. The credit amount takes into account up to 50% of qualified wages, up to \$10,000. Eligible employers would receive a 50% credit for qualified wages (up to \$10,000 per employee per quarter) against their employment taxes for that quarter, with any excess amount (if greater than the amount of your employment taxes) being refunded to you. Retention Credit amount is \$5,000 per employee. This credit is only available for wages paid from March 13, 2020 to December 31, 2020. *This provision is only available if you do not also receive benefits under the Paycheck Protection Program (Small Business Loans).*
 - **Who is eligible for the Employee Retention Credit?** An eligible employer is one: (1) with operations suspended by orders issued in response to COVID-19; or (2) that has suffered a significant decline (more than 50% decrease year-over-year) in gross revenue (during the 1st quarter where you can prove gross revenue decreased 50% year over year, and ending in the quarter when your revenue is back to 80% of prior year quarter).
 - **What are qualified wages?** For employers of more than 100 “full-time employees”³, qualified wages are wages (as defined under the Federal Insurance Contributions Act) paid for services a full-time employee is not providing due to a COVID-19 Shutdown or Gross Receipts Decline. For employers of 100 or fewer full-time employees, qualified wages are wages paid to any full-time employee during a COVID-19 Shutdown or during a calendar quarter of Gross Receipts Decline, without regard to whether the full-time employee is providing services.

³ In general, a full-time employee is defined as an employee that provides more than 30 hours of service. In determining how many full-time employees are employed, employers should use the average number of full-time employees during 2019, as determined under IRC Section 4980H.

- **For what period of time is this credit for paying my employees available?** It depends on how many employees you have.
 - If your average number of full-time employees is greater than 100, then the credit applies during the period which the employee is not providing services.
 - If your average number of full-time employees is less than 100, then how long this credit is available to you depends on whether you qualified for this provision because your business was shut-down, or because you were able to show that your business had the revenue declines explained above.
 - If you qualify because your business was shut down, then this credit is only for the wages during the shut-down/closure period.
 - If you qualify because you can prove that your revenues declined by the thresholds above, then you can take the credit beginning with the first quarter you show your revenues are down at least 50% from the prior year's quarter, until the quarter that your revenues recover to at least 80% of the revenue you had in the same quarter of the prior year.
- **Deferment of Employer taxes:** This provision allows you to defer payments of (i) the employer share of payroll taxes (the 6.2% Social Security tax) for wages you pay your employees or for self-employed individuals, the equivalent amount of Self-Employment Contributions Act (SECA) tax due on net earnings from self-employment under IRC Section 1401(a) (i.e., 50% of the 12.4% tax), which would similarly be exempt from estimated tax payments from March 27, 2020 - through December 31, 2020.
 - The employer share of social security taxes will be considered timely paid if 50% of the deferred amount is paid by December 31, 2021, and the remainder by December 31, 2022.
 - As this provision only provides a deferral, this is not a permanent benefit but a temporary delay of a current cash obligation.

26. Are there other business tax provisions that might help me reduce my income tax bill or get money back? Yes, there are several provisions which might reduce your business tax bill. Some of these include:

- Relaxing of rules for using business losses (Net Operating Losses, or "NOLs") to offset past income (*See separate FAQ "What are the new tax rules that expand how NOLs work?"*)



- Deduct more interest expense on your business tax returns (*See Separate FAQ “What are the new rules that allow me to deduct more interest expense on my tax return?”*)
- Allowing you to expense certain improvements immediately, instead of capitalizing them and having to depreciate them (*See Separate FAQ “What are the new tax rules related to making improvements to my facilities/offices?”*)

27. What are the new tax rules that expand how business losses (NOLs) work?

- It used to be that if you generated a business loss (whether your business is set up a corporation, a partnership, or a sole proprietorship), you could NOT carry it back to prior years where you had income, but you could only carry it forward to future years, and there were also limits to how much of the loss you could use (you weren’t allowed to offset all of your tax bill with the losses).
- Under the revised rules, if your business generated a tax loss (NOL) in tax years beginning after December 31, 2017, and before January 1, 2020 (e.g., NOLs incurred in 2018, 2019, or 2020 by a calendar-year taxpayer), you are now allowed to carryback that loss to your prior five years of tax returns, without any limitation. This means you can file amended tax returns to use the losses and request a refund from the government for the prior taxes you paid which are now being eliminated by the loss.

28. What are the new rules that allow me to deduct more interest expense on my tax return?

- Under prior rules, IRC Section 163(j) limits the amount of business interest expense that may be deducted in a tax year to the sum of (1) the taxpayer's business interest income for the year; (2) 30% of the taxpayer's “adjusted taxable income” for the year; and (3) the taxpayer's floor plan financing interest expense for the year.
- Under new rules, for 2019 and 2020 tax years only, the 30% referenced above is replaced by 50% (i.e., 50% of your adjusted taxable income).

29. What are the new tax rules related to making improvements to my facilities/offices?

In order to encourage investments, the new rules provide that “qualified improvement property” is now eligible for 100% bonus depreciation.



30. Is there something else that I can take advantage of outside of the CARES Act? Yes.

The income tax return filing deadline has been extended from April 15, 2020 to July 15, 2020. the 2020 estimated federal income tax payments (including the tax on self-employment income) that would have been due to April 15, 2020 are being extended to July 15, 2020. This extension only applies to 2020 federal income tax payments due on April 15, 2020 (For example, Q2 2020 estimated federal tax payments that are due June 15, 2020 are not extended to July 15, 2020).

31. When is my 2019 federal tax return and tax payment due? The IRS has extended the due date to file federal income tax returns and 2019 income tax payment (regardless of the amount owed) from April 15, 2020 to July 15, 2020.

- This extension only applies to 2019 federal income tax returns and tax payments that would have been due on April 15th (i.e., the extension does not apply to 2019 income tax returns or payments with other due dates, or information returns). For example, returns due March 16, 2020, such as Form 1065, Form 1065-B, Form 1066, and Form 1120-S have not been postponed).
- You do not have to request an extension or do anything to benefit from this federal extension.
- The extensions for tax returns and payments are only for federal income tax payments, and do not apply to payroll, excise, or estate and gift tax returns and payments.
- If you already filed your 2019 federal income tax return but had not made your payment yet, you have until July 15, 2020 to pay the taxes.
- This extension does not apply to state tax liabilities. State tax return due dates and payments are not always the same as federal due dates, and you should check with your state tax agencies to confirm any state due dates.

These FAQs are solely for general informational purposes and do not constitute legal or tax advice. For specific questions about the applicability of the Cares Act to you, consult with your legal or tax advisor. The situation surrounding COVID-19 is evolving and may change on a daily basis. Additional government regulations interpreting the CARES Act are forthcoming. The content in these FAQs is provided "as is;" no representations are made that the content is error-free. Royal Caribbean reserves the right to correct any errors, inaccuracies or omissions and to change or update the information, content and materials. Royal Caribbean expressly disclaims any liability with respect to the contents or actions taken or not taken by users or third parties based on the contents of these FAQs

