

2015 FRANCHISE Public Policy Platform

Main Street businesses, including local franchise businesses, are a pillar of job creation. America's 782,000 franchise establishments support nearly 8.9 million direct jobs, \$890 billion in economic output, and 3 percent of GDP. While the franchise industry is projected to grow more quickly than the overall U.S. economy, adding more than 12,000 new establishments and 247,000 new jobs in 2015, significant public policy headwinds threaten future growth. The franchise industry would see additional growth if the following policy changes were to be enacted:

Preserve the Franchise Business Model: NLRB's Joint Employer Ruling

Local franchise small business owners take great pride in running their businesses, creating local jobs and contributing to their communities. However, unelected Washington bureaucrats at the National Labor Relations Board (NLRB) want to reverse decades of legal precedent, holding franchisor brand companies liable for charges against local franchisees and threatening to dismantle the franchise relationship that has allowed hundreds of thousands of new locally-owned small businesses to open and millions of jobs to be created. If entire franchise systems are declared to be single units, or "joint employers," local franchise owners everywhere will lose control of the businesses that they have worked so hard to build. Policymakers should take action to protect local franchise small business owners by rejecting this radical re-alignment of traditional employment structures.

IFA calls on Congress and the Administration to recognize the independence of local franchise small business owners. Policymakers should acknowledge that a franchise owner's direct and immediate control over business operations and equity in their business also endows them with the responsibilities and benefits of being an employer and job creator. This arrangement ensures respect for workers and their rights, compliance with all federal, state, and local regulations and accountability to their employees.

Prevent Damaging Labor and Workforce Policies

This year will be critical in the ongoing struggle against overreaching labor and workforce regulations that benefit unions at the expense of America's workers and employers. The NLRB has issued new regulations loosening union organizing rules that restrict democratic processes, limit the flow of information and deprive workers and employers of the opportunity to evaluate the implications of union membership. The U.S. Department of Labor (DOL) is promoting new rules for overtime pay that eliminate flexibility for employers and reduce training and advancement opportunities for workers. New federal contracting provisions threaten the economic viability of franchise locations on military bases and on federal lands around the country. Instead of burying employers and workers with a deluge of new restrictions that only benefit labor union bosses, the Administration should take a more thoughtful approach to workforce regulations and seek to achieve a balanced and reasonable regulatory environment that promotes small business growth, as opposed to stifling it.

Restore the 40-Hour Work Week, Simplify Health Care Compliance

As the Affordable Care Act's employer mandate takes effect, many franchise small businesses are struggling to implement the mandate's requirements and others are seeing negative consequences for their workers. The ACA currently defines full-time work as 30 hours per week, which has resulted in lost hours and diminished paychecks for many hourly employees. To help preserve existing jobs, hours and take-home pay at businesses across the country, Congress should restore the traditional and well-established 40-hour definition of full-time work. In addition, Congress should act to simplify and streamline reporting requirements for employers in order to minimize cost and confusion. Small business owners should be dedicating more of their resources to growing their business and serving their customers and workers, not navigating convoluted and overly-burdensome compliance standards.

Promote Franchise Growth through a Revised Tax Code

America's tax code is not working for the economy – small business owners get lost in the complex web of credits and deductions, while astronomical corporate rates send some businesses looking for new headquarters outside of the U.S. For years, tax reform has only been considered from the viewpoint of large corporations. However, given that 80 percent of franchise owners file their business income on their individual tax returns, individual tax rates need to be addressed, which will unlock the potential of America's locally-owned small businesses. The franchise business community supports comprehensive tax reform that addresses both the corporate and individual tax codes, lowers effective rates and reduces complexity to make American businesses more competitive globally, while also driving much-needed job creation. In the absence of comprehensive reform, Congress should renew or make permanent the package of temporary business tax provisions, known as "extenders," to encourage new hiring and capital expenditures.

Improve Legal Immigration System to Strengthen the Workforce

When seasonal change increases activity at businesses across the country, small business owners cannot always find the workers they need to meet increased demand, and they cannot find the workers quickly enough. Although the immigration reform bill passed in the Senate in the 113th Congress made important improvements to the legal immigration system for temporary and low-skilled workers, more must be done to secure our borders while ensuring that franchise small business owners can access the labor force they need to efficiently operate their businesses.

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Congress should pass immigration reform that includes an effective employment eligibility verification (E-verify) program that provides safety and certainty for employers, and an improved visa program to allow temporary and low-skilled workers to enter the United States legally.

Enhance Access to Credit for Franchise Businesses

Although the improving economy has increased the flow of credit to small businesses in recent years, a 4.4 percent lending shortfall between franchise demand for growth and banks' ability to meet the demand still exists. This lending gap translates to an estimated 3,200 new franchise units not being opened and 32,000 jobs not being created in 2014.

The franchise industry has worked diligently to improve lending to franchises by increasing understanding between the franchise industry and the lending community, and these efforts have helped drive progress in expanding credit access. However, the U.S. Small Business Administration (SBA) has indicated that it may alter its eligibility guidelines for guaranteed small business loans, possibly restricting some franchise owners' ability to access the federal

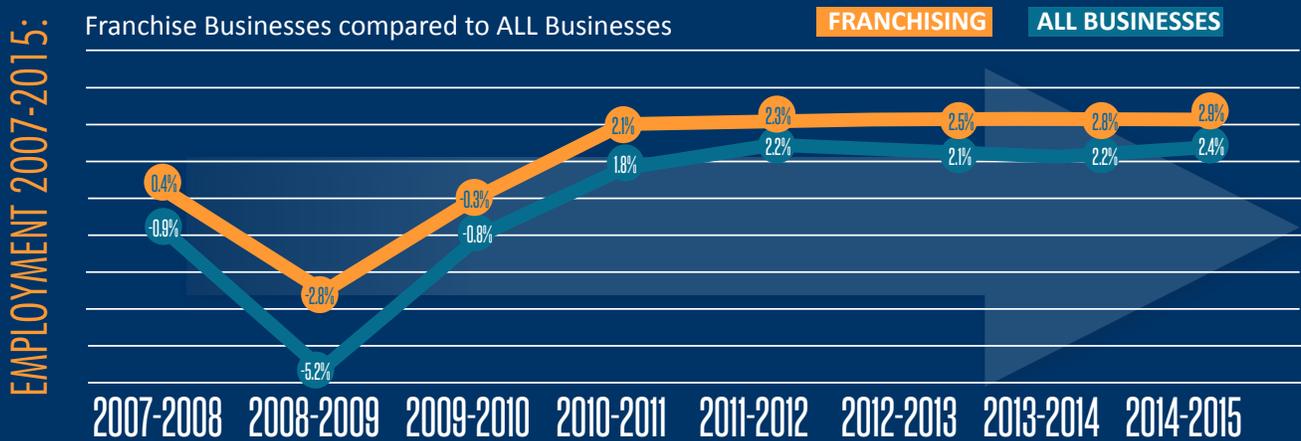
programs that served as a crucial lifeline for small businesses during the economic downturn and the still uneven, economic recovery. Regulators should empower small business owners and boost development and job growth by ensuring access to these loan programs for qualified small businesses.

Increase Hiring and Entrepreneurship for Veterans

It is both a moral and economic imperative to integrate the approximately one million returning military veterans and their families into the civilian economy and to serve them as honorably as they have served us. As part of IFA's Veterans initiative, or VetFran, nearly 5,200 veterans have become new franchise owners since Veteran's Day 2011, and over 150,000 veterans have started careers in franchising. Congress should offer increased incentives for companies to hire military veterans while also offering assistance to veterans to continue to serve their communities as local entrepreneurs. Providing an exemption for veterans from employers' status under the Affordable Care Act's employer mandate will spur the hiring of veterans, and create business tax credits for veterans who open their own franchise businesses will increase veteran entrepreneurship and job growth.

For more information, please visit www.franchise.org or call 202-628-8000. Follow us @Franchising411 and facebook.com/IFA.DC.

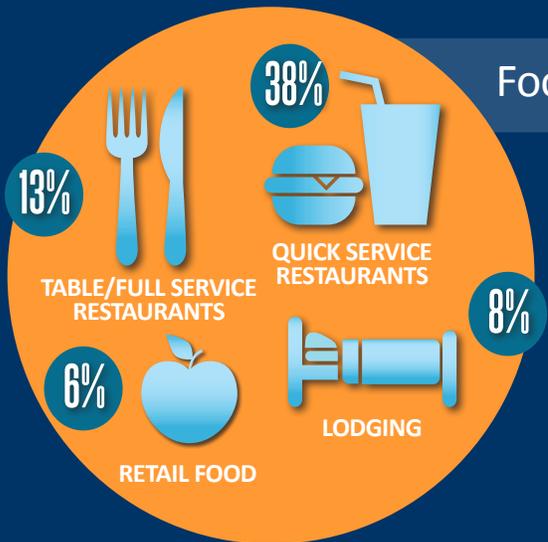
Franchise Businesses Create Jobs Faster than Other Businesses



EMPLOYMENT DISTRIBUTION

BY SECTOR: 2015

Food & Hospitality



65%

Services Sector



Real Estate & Automotive

