



FRANCHISING®
Building local businesses,
one opportunity at a time.

July 17, 2017

The Honorable Orrin G. Hatch
Chairman
Senate Committee on Finance
Via email: taxreform2017@finance.senate.gov

Dear Chairman Hatch:

On behalf of the International Franchise Association (IFA), thank you for the opportunity to submit recommendations for tax reform. IFA is the world's oldest and largest organization representing franchising worldwide, whose members include franchise companies in over 300 different business format categories, individual franchisees, and companies that support the industry in marketing, law, and business development. IFA is dedicated to protecting, promoting, and enhancing franchising.

Nearly five out of six businesses file their tax returns as either S Corps or partnerships and are subject to individual tax rates. As a result, most small businesses are subject to income tax at the highest marginal individual rate. This tax burden reduces the cash available to expand and grow their businesses and stifles job growth. Two-thirds of net new jobs in America are created by small businesses.

Of IFA members, 58 percent of franchisees and 39 percent of franchisors file as pass-through entities. Nearly 80 percent of franchise owners file their business income on their individual tax returns because they are not organized as corporations. The number of individuals filing as S Corps and pass-through entities has increased over the last fifteen years while C Corp filings have fallen reinforcing the need for comprehensive tax reform. If tax reform only addresses corporate tax rates, small businesses – many of them franchised - would be at a severe disadvantage.

Overwhelmingly, IFA's franchisors and franchisees have ranked "lowering tax rates for individuals and small businesses" as the highest priority change which could be made to the tax system. Additionally, both groups believe lower corporate and individual tax rates are important, even if deductions are lost.

IFA also supports elimination of the "Death Tax" as well as the net investment income tax as they particularly hit small business owners such as franchisees.

In our discussions with franchisors, reducing the repatriation tax rate is very important. This would allow our multinational franchisors to send their foreign earnings back to the U.S., and then use the earnings to create more American jobs and expand operations in the U.S.

Once again, thank you for working with the IFA on issues facing America's small businesses. We appreciate your support of the nation's entrepreneurs and job creators and look forward to assisting you in any way we can.

Sincerely,

Robert Cresanti
President and CEO
International Franchise Association