

March 11, 2020

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington DC 20515

The Honorable Kevin McCarthy  
Republican Leader  
U.S. House of Representatives  
Washington DC 20515

Dear Speaker Pelosi and Republican Leader McCarthy:

On behalf of the International Franchise Association (IFA), the world's oldest and largest organization representing franchising worldwide, I write on behalf of the nation's franchising community, which is comprised of over 733,000 establishments that employ over 7 million individuals and contribute \$674.4 billion of economic output to the U.S. economy. Together, we urge Congress and the Administration to continue working in a bipartisan matter as the country braces for an economic fallout due to the COVID-19 outbreak.

We greatly support and appreciate your leadership on the Coronavirus Supplemental (H.R. 6074) enacted on March 6, 2020, which contained a provision to help small businesses and non-profits experiencing financial losses related to COVID-19. The provision will allow the Small Business Administration (SBA) to provide up to \$1 billion in disaster loans—primarily Economic Injury Loans—to small businesses experiencing sudden declines in revenue due to the coronavirus outbreak. However, we urge you to work closely with the SBA to ensure the loans are rapidly administered to affected areas.

Moving forward, it is clear additional stimulus focused on small businesses and their employees will be necessary. The economic impact of COVID-19 is already dramatic, particularly in the hospitality and restaurant industries, which are heavily franchised. It is clear additional government stimulus will be necessary to ensure franchised small businesses can stay afloat, employees remain employed and when recovery begins, businesses have cash flow available to invest again. An economic stimulus package should include measures to support working families, hourly employees, small businesses, and local economies that are dependent on tourism, hospitality and the service sector. **Specifically, we ask Congress to make clear that franchise owners affiliated with a brand are eligible for the same small business relief as non-franchised small businesses.** We recommend the following policies:

**1. Expanded Unemployment Insurance Benefits & a Temporary Government-Funded Paid Leave Program for Affected Workers**

Congress should temporarily allow COVID-19-affected employees to receive Unemployment Insurance (UI) benefits while retaining their current jobs during a business shutdown or quarantine. Alternatively, Congress could establish a government-funded paid leave program for affected workers whose employers do not offer paid leave to maintain employment. Rather than putting the burden on the most affected small businesses which will experience declines in cash flow to administer an unfunded paid sick leave mandate, expanded UI benefits or a government funded paid leave program would encourage franchise businesses to allow exposed employees to stay away from work for extended period while allowing them to remain employed.

**2. A Temporary Payroll Tax Cut**

The COVID-19 outbreak is already having a serious impact on the smallest U.S. employers, and it could have lasting effects on the U.S. economy. General economic stimulus could reduce the

likelihood of protracted tightening. IFA supports cutting the employee and self-employed shares of Social Security payroll taxes by two percentage points (from 6.2% to 4.2% for employees; and from 12.4% to 10.4% for the self-employed). We also support holding the Social Security Trust Fund harmless through a transfer of general revenue. Workers will receive more pay in each paycheck immediately through a reduction in payroll tax withholdings.

### **3. Restructured Employee Retention Credit**

The sudden decline in foot traffic due to COVID-19 is causing significant market decline, weakening the ability of small franchise businesses to meet their payroll obligations. Small businesses would benefit greatly from an expansion of the Employee Retention Tax Credit, created following Hurricane Katrina in 2005, that would be worth 40 percent of wages (up to \$6,000 per employee) paid by a qualified employer to an employee. A qualified employer would be defined as an employer primarily engaged in the business of food service, lodging, retail, automobile rentals, air transportation, amusement, entertainment, recreation, or accommodation for mass gatherings of persons. Similar relief was also provided in the wake of Hurricanes Harvey and Irma. Such modifications will relieve franchise businesses in disrupted areas, helping keep employees on the payroll through a meaningful tax credit.

### **4. Optimized SBA Loan Terms and SBA Guarantees for Loan Forbearance**

IFA has long supported the SBA 7(a) loan program, which is the primary source of funding many franchisees rely on for site development, property leasing, and more. Small business franchise owners will struggle to meet loan obligations, and an assurance to a lender that the SBA guaranty will not be questioned when a COVID-19 loan modification is structured between the franchise owner, franchisor and others will provide protection for the lender, giving confidence to the deal. IFA also supports optimizing the SBA 7(a) loan program by eliminating borrower fees and providing higher loan guarantee percentages. Similar efforts worked in the Recovery Act following the Great Recession. Congress could also consider increasing the maximum loan amount in the SBA 7(a) program.

### **5. A Delayed Deadline for Estimated Quarterly Tax Payments and Filings**

As businesses experience financial volatility due to COVID-19, the current quarterly payment schedule may make it difficult for owners to manage cashflow for operational demands. Delaying the April 15th tax payment and filing due dates for two months for businesses in states with the COVID-19 would provide relief. Most businesses, particularly pass-throughs, have to make quarterly payments on the taxes they expect to owe this year. In the past, the Internal Revenue Service delayed payment and filing deadlines for businesses affected by major disasters—including in response to Hurricanes Irma and Maria.

### **6. Flexibility from Financial Institutions on Loan Payments and Relaxed Penalties for Small Businesses**

Most franchised small businesses are heavily leveraged, and as the impact of COVID-19 places downward pressure on cashflow, franchise owners may have difficulty making mortgage or other payments to their lenders. IFA urges Congress to consider taking steps to ensure lenders offer temporary waivers on penalties on mortgages or other debt by small businesses.

## 7. Inclusion of Tax-Exempt Entities in Temporary Aid

According to the Events Industry Council's 2018 Economic Significant Study conducted by Oxford Economics, more than 1.9 million meetings occur in the United States each year – with more than 250 million attendees. These meetings contribute more than \$446 billion to U.S. gross domestic product and directly support 5.9 million jobs nationwide. IFA respectfully urges you to include associations, nonprofits and other tax-exempt organizations within any federal aid packages or supplemental appropriations measures, as many have been and will be harmed by event cancellations and reduced meeting attendance as a result of COVID-19.

IFA strongly believes the aforementioned policies will provide comprehensive relief to the American economy, its workers, families, and small businesses. In this critical moment, **we strongly oppose any efforts to restructure America's paid sick leave programs through the Healthy Families Act (H.R. 1784/S. 840), which would be ill-timed and exacerbate the challenging COVID-19 landscape for the economy.** The vast majority of private sector employers already provide generous paid leave benefits to their employees. Seventy-six percent of the civilian workforce currently enjoy paid sick leave. Congress should ensure that franchise small businesses retain the flexibility to deliver paid leave benefits to their employees who need it most.

Thank you for considering our views. We stand ready to work with you in this critical moment.

Sincerely,



Matt Haller  
Senior Vice President of Government Relations & Public Affairs  
International Franchise Association