

March 14, 2020

The Honorable Mitch McConnell  
Majority Leader  
U.S. Senate  
Washington, DC 20510

The Honorable Charles Schumer  
Democratic Leader  
U.S. Senate  
Washington, DC 20510

Dear Majority Leader McConnell and Democratic Leader Schumer:

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. We appreciate the desire in Congress to take quick action to improve public health and limit economic harm caused by COVID-19. While the House-passed bill contains important provisions that benefit small businesses and employees, namely expanded unemployment insurance and increased access to testing, we strongly urge the U.S. Senate to improve this legislation.

We encourage the Senate to make changes to benefit American small businesses, their employees, and their families. Specifically, Division C, "The Emergency Family and Medical Leave Act," and Division E, "The Emergency Paid Sick Leave Act," requires employers with less than 500 employees to provide two weeks of paid sick leave and additional weeks of FMLA leave to quarantine or seek diagnosis or preventative care for coronavirus. While H.R. 6201 includes a 100 percent retroactive tax credit, the construction of the paid leave mandate and refundable tax credit leaves small businesses with a significant and immediate cash flow crisis for the next six to eight critical weeks.

A refundable tax credit is a delayed benefit that does not address the burden of small businesses which are continuing to pay employees and expenses such as rent, utilities, insurance, debt service, etc. What small business owners need the most right now is time. The tax credit structure will make it exceedingly difficult for employers to distance out organizational decisions as they negotiate loan restructures and other emergency measures to keep themselves afloat. Critical improvements are needed to the legislation that will encourage and facilitate business to keep employees "on the books" and ensure continuation of employer provided benefits, especially health care benefits.

IFA strongly urges the U.S. Senate to amend H.R. 6201 by replacing the paid leave mandate and accompanying tax credit with an administratively managed program, such as H.R. 6198, the Emergency Paid Leave Act of 2020. H.R. 6198 would create a new program administered by the Social Security Administration (SSA) to offer financial assistance to employees impacted by COVID-19. SSA is often one of the first agencies on the ground in natural disasters, and it has

extensive experience and procedures in place for responding in emergency situations. The legislation includes multiple protections to ensure that Social Security funds are not diverted to the new emergency leave program. We understand the U.S. Department of Labor also has authority to administer such a program, and we encourage Congress to also consider that agency as an option for statutory relief. For the U.S. small business sector, an administratively-managed mechanism will better ensure the liquidity of small businesses in this critical moment.

While the House bill's goal of providing support for American employees and businesses is one we all support, H.R. 6201 adds costs to small businesses that they simply cannot afford. Coronavirus relief is too important to American employees and families to get wrong. We stand ready to work with you to improve this legislation, in addition to forthcoming relief for small businesses. Of critical importance to the franchise sector is an expansion of the Employee Retention Tax Credit, which will help keep employees on the payroll through a meaningful tax credit.

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