

OVERVIEW

In January, the International Franchise Association (IFA), released its “2025 Roadmap for Franchise Growth,” identifying the five policy priorities IFA believes are essential for continued growth and success of the franchise business model. This Progress Report describes the activity IFA and our franchisor, franchisee, and supplier members have undertaken to advance these initiatives throughout 2025.



1 CODIFYING A JOINT EMPLOYER STANDARD THAT PRESERVES FRANCHISEE INDEPENDENCE AND PROTECTS THEIR EQUITY

Introduction of the American Franchise Act: Following the 2024 election, the IFA Board of Directors challenged IFA to identify a solution to the volleying National Labor Relations Board (NLRB) joint employer standard that has changed four times in the last decade to the detriment of franchisor-franchisee relationships and sustainability of the franchise model.

IFA and its members answered the call, spearheading bipartisan introduction of the American Franchise Act that would codify a franchise-specific, federal joint employer standard under the NLRB's National Labor Relations Act and Department of Labor's Fair Labor Standards Act. The American Franchise Act is modeled on the NLRB's 2020 joint employer standard, which requires demonstrating that a company exercises substantial direct and immediate control over the essential terms and conditions of employment of another company's employee to be determined a “joint employer” with the other company. Additionally, it establishes the types of controls that are not demonstrative of a joint employer relationship such as franchisor control of brand protections while franchisees retain control of the day-to-day operation of their businesses.

The legislation has secured strong bipartisan support in Congress, as well as among a broad coalition of business and industry trade groups. IFA is spearheading the Coalition to Save Local Businesses, IFA's 501(c)4 organization, to bolster support for the bill and drive advocacy activities to gain further momentum in Congress. The IFA Advocacy Summit will be focused on educating members of Congress of the critical significance of supporting and passing the American Franchise Act—to franchised small business owners, workers, consumers and the U.S. economy.

State Activities on Joint Employer: In addition to IFA's federal legislative efforts, IFA is engaged in a parallel state strategy to expand pro-franchising joint employer standards to further clarify the nature of the franchise model and the types of brand protection controls necessary to preserve franchisee equity as well as introduce pro-franchising joint employer standards in states where they do not currently exist.

IFA Law Center Efforts: On the litigation front, the IFA Law Center is engaged in defense of the NLRB's 2020 joint employer rule, currently subject to challenge by the SEIU in D.C. Circuit Court.

2 PRESERVING A TAX CODE THAT SUPPORTS FRANCHISE DEVELOPMENT AND WAGE GROWTH

With the shift in Administration, **IFA prioritized preserving tax policies to prevent a tax hike for franchisees, foster competitiveness and expand eligibility for franchise businesses to deduct expenses from their tax obligations.** Thanks to the groundwork laid by attendees of the 2024 IFA Advocacy Summit fly-in as well as year-long engagement by IFA members, IFA's advocacy efforts in support of the One Big Beautiful Bill Act were successful in achieving numerous wins for its members, including:

- **199A Deduction:** Made permanent, raised from 20% to 23%, simplified phase-in
- **Estate Tax:** Exemption made permanent, increased to \$15M/\$30M, indexed
- **Bonus Depreciation:** 100% expensing restored for qualified property (2025–2029)
- **Business Interest Deduction:** Adjusted to use EBITDA instead of EBIT (2025–2029)
- **No Tax on Tips:** Deduction allowed (2025–2028)
- **No Tax on Overtime:** Above-the-line deduction (2025–2028)

The **One Big Beautiful Bill Act** was signed into law on July 4, 2025. The efforts to achieve this result included:

- 9 franchisees joined IFA at the White House
- 4 IFA members testified before Congress
- 3 field hearings brought franchisee stories directly to lawmakers
- Hundreds of franchise advocates meeting with their representatives on Capitol Hill

IMPROVING FRANCHISEE DISCLOSURE TO PROMOTE RESPONSIBLE FRANCHISING

In 2024, IFA developed Responsible Franchising recommendations to the Federal Trade Commission (FTC), in response to increasing federal and state regulatory scrutiny of franchising due to misleading or inconsistent franchise disclosure. IFA's recommendations call for a modernized franchise disclosure regime that would better serve the needs of prospective franchisees and lay the foundation for strong franchisor-franchisee relationships.

While the pending review of the Franchise Rule is currently on hold due to the Trump Administration's Executive Order on deregulation of federal and state regulations and laws, IFA has continued to work through its relationships in the state legislatures, supporting an expedited registration renewal pilot program in Maryland under House Bill 992 in the spring legislative session and currently collaborating with the Maryland Securities Division in support of a similar registration renewal pilot program to be launched in advance of the 2026 franchise renewal season. IFA is exploring opportunities to launch registration renewal pilot programs in other registration states.

In addition to supporting the passage of California Senate Bill 919 that amended the California Franchise Investment Law to add a registration and disclosure regime for third party franchise sellers, scheduled to take effect in July 2026, IFA has supported efforts by the North American Securities Administrators Association (NASAA) to adopt a Model Broker Registration Act with requirements similar to CA SB 919 through its engagement in several public comment periods.

ENSURING MAIN STREET FAIRNESS AND STOPPING BURDENOME REGULATIONS

IFA advocates for policies to support small businesses and ensure fair treatment of local franchises with their non-franchised counterparts, including improvements to SBA lending programs, establishing a national privacy law that preempts the growing patchwork of state privacy laws, providing relief to franchised small businesses of exorbitant credit card processing fees, and limiting the reach of the Corporate Transparency Act (CTA) reporting requirements.

Since January, IFA:

- ✓ **Opposed the CTA**, resulting in the U.S. Treasury clawing back reporting requirements for U.S. companies and U.S. persons who are beneficial owners of foreign companies.
- ✓ **Collaborated with the Small Business Administration (SBA) to bring back the Franchise Directory** and make the process for obtaining SBA funding more efficient for franchisees with replacement of the SBA Addendum with the one-time execution of a Franchisor Certification. By the end of this year, all franchisors previously listed on the Franchise Directory who submitted a Franchisor Certification will be reinstated.
- ✓ **Advocated for federal legislation to limit credit card processing fees** as well as served in a pivotal role in passing the GENIUS Act, legislation that paves the way for adoption of alternative forms of payment to credit cards.
- ✓ **Co-led the Main Street Privacy Coalition** that testified before Congress regarding proposed federal data privacy legislation to ensure the interests of small franchised businesses and their brands are protected.
- ✓ **Defeated DOL's attempt to increase overtime thresholds** and supported DOL's rulemaking to reinstate the overtime exemption for companion care workers of home healthcare businesses, many of which are franchised.

- ✓ Submitted to the FTC, Department of Justice (DOJ) and Department of Governmental Efficiency (DOGE) on **IFA's recommended federal regulations and state laws** that should be considered for withdrawal or challenge as part of the Trump Administration's deregulation initiative.
- ✓ **Successfully defeated the FTC's Negative Option, "Click to Cancel" rule**, which was overturned in the Eighth District Court of Appeals. The IFA Law Center filed an amicus brief in the case in 2025.

PREVENTING THE SPREAD OF MISGUIDED STATE-BASED POLICIES

Since 2022, IFA has sought to limit the spread of the California Fast Food Accountability and Standards Recovery (FAST) Act that established a labor council to advise on wages, hours and other employment factors. This year, IFA has engaged in opposition to legislative attempts to establish labor boards or impose onerous labor standards on franchised small businesses at both the state and local levels including: Washington State, the City of Los Angeles, California, and Santa Clara County, California.

IFA also successfully challenged attempts by state legislators to interfere in the terms of private contracts between franchisors and franchisees in Georgia, New Mexico, Oklahoma, Oregon, Vermont, and Virginia.

For the remainder of 2025, IFA will continue to execute toward these priorities, advocating for legislative positions with state and federal lawmakers that consider the unique nature of the franchisor-franchisee relationship and the critical need to protect the growth and sustainability of the franchise business model and the 831,000 franchised small businesses it supports in the United States.