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February 18, 2014 Testimony on HB 5069 "AN ACT CONCERNING LOW WAGE EMPLOYERS"

Sen. Osten, Rep. Tercyak and Members of the Joint Committee on Labor and Public Employees:

I write to express my concern with HB 5069 – *An Act Concerning Low Wage Employers*. The bill arbitrarily singles out certain businesses, in this case franchisors, by forcing them to pay taxes not on their own employees, but on the employees of independent franchisees, as part of a significant tax surcharge on wages.

Franchisees are not the employees of franchisors. Although franchisors act to set standard operating procedures, and can provide other services, ultimately it is the owner of the individual franchise who is responsible for hiring and wage decisions at his or her location. This mutually beneficial relationship, two businesses working together to preserve a franchise brand, is at the core of the franchise business model. It is inappropriate to force one business to pay taxes on another, completely independent, business' employees.

There are nearly 8,000 franchised establishments in the Connecticut, which collectively employ over 100,000 people. These establishments represent more than 100 different business sectors ranging from food and hotels to personal services. If this unorthodox law is implemented, it could discourage future investment from franchisors outside the state and possibly even put existing Connecticut franchisors at risk. Such a move would harm businesses, their employees and the people who depend on franchise establishments every day for essential goods and services.

For these reasons, I respectfully urge you to vote against HB 5069. Please feel free to contact me if you have any questions about this bill, or if I can be of assistance in any other matter.

Sincerely,

Dean Heyl

Senior Director, State Government Relations