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This FANmail is brought to you by: Scott Kainz

*"The guidance and support that the franchise system provides is unparalleled. It has been a lifesaver for me and my family."*

-- Scott Kainz, Mr. Electric franchise owner in West Salem, Wisconsin

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### **Reminder: We Need Your Help to Submit Joint Employer Comments**

IFA continues to collect comments on the impact of joint employer to submit to the National Labor Relations Board (NLRB). As part of IFA's ongoing process to compile comprehensive comments, we are conducting specific case studies on how joint employer has impacted your franchise company or your franchisees. If you or your general counsel are interested in working with IFA please contact IFA's [Haider Murtaza](#) to schedule a conference call. As a reminder, **the deadline to submit comments on the proposed rulemaking is December 13, 2018.**

Additionally, if you are interested in speaking to the media about how the joint employer standard has affected your brand or business, please contact IFA's [Stephen Worley](#).

In case you missed it, *Bloomberg* issued an [article](#) highlighting the legal challenges facing the NLRB in its proposed rulemaking on joint employer. NLRB Chairman John Ring noted that he expects detailed testimonials from businesses to explain their experiences with the current standard as part of the evidence supporting the proposed changes. Additionally, labor policy experts have argued that the potential for a judge to invalidate the NLRB's forthcoming joint employment regulation represents a major risk. In light of this shortcoming, the NLRB will have to rely on outside analyses.

To submit predrafted comments, please text RULEMAKING to 52886 or click [here](#).

### **Take Action: Help Protect Franchises from Harmful Tax Law Error Regarding Qualified Improvement Property (QIP)**

On November 16, Travel and Tourism Caucus chairs, Rep. Gus Bilirakis (R-FL) and Rep. Dina Titus (D-NV), sent a [letter](#) to House leadership to address concerns regarding a technical error in the 2017 tax law related to the depreciation period for qualified improvement property (QIP). The error would have significant negative impact to the local tourism and the economy.

In order to ensure franchises are protected from this harmful error, please urge your members of Congress to provide a legislative fix to the issue by taking action [here](#).

**'Franchise Fairness' \$15 Minimum Wage Law Enacted in St. Paul, Minnesota**

Last month, St. Paul City Council Member Chris Tolbert unveiled [legislation](#) for a citywide \$15 minimum wage ordinance. The ordinance followed a similar model as its twin city Minneapolis and Seattle, and automatically classified franchisees as large businesses for the purposes of an accelerated phase-in timeline. IFA had been working with the city council since June emphasizing the need for fair treatment of franchise businesses. Despite the introduced language discriminating against franchisees, IFA continued to pursue the franchise fairness message and ultimately succeeded in having the definition amended to accurately reflect franchisees as individual business owners. By connecting local franchisees with city council members, IFA was able to put a known face to the franchise industry in St. Paul, which allowed IFA to explain the policy issues to Council members and pave the way for the below language:

*d) Determination of business size for any establishment operated pursuant to a franchise as defined in Minnesota Statutes [Section] 80C.01, shall be classified based on the total number of employees at all franchise locations owned and operated by a single franchisee.*

In effect, this means that franchise businesses are correctly treated as small businesses, and will not have to follow an accelerated enactment timeline. On Wednesday, November 14, the St. Paul, MN City Council unanimously approved the ordinance increasing the city's minimum wage to \$15. Immediately after Mayor Melvin Carter signed the legislation into law.

Read IFA's press release [here](#).

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## Free Webinar: Build Your Business with Opportunity Zones

Thanks to the *Tax Cuts and Jobs Act of 2017*, business owners get certain incentives for doing business in more than 8,700 specific geographical areas known as **Opportunity Zones**. Want to know how to take advantage of these tax incentives and grow your franchise? Join IFA and the Economic Innovation Group for a FREE webinar next **Thursday, December 6 at 2 PM EST**.

Register [here](#).

The Opportunity Zones program offers investors the following incentives for putting their capital to work in low-income communities:

- A temporary tax deferral for capital gains reinvested in an Opportunity Fund. The deferred gain must be recognized on the earlier of the date on which the opportunity zone investment is sold or December 31, 2026.
- A step-up in basis for capital gains reinvested in an Opportunity Fund. The basis of the original investment is increased by 10% if the investment in the qualified opportunity zone fund is held by the taxpayer for at least 5 years, and by an additional 5% if held for at least 7 years, excluding up to 15% of the original gain from taxation.
- A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in a qualified opportunity zone fund, if the investment is held for at least 10 years. (Note: this exclusion applies to the gains accrued from an investment in an Opportunity Fund, not the original gains).

Learn how to use these incentives for the benefits and growth of your franchise during our [exclusive webinar](#).

## The Wall Street Journal Cites IFA Members Turning Around Three American Classics

Fierce competition, changing palates, and a host of other factors can bring down even the most dominant of franchise systems. However, as *The Wall Street Journal* reports, several IFA member companies are mounting comebacks since their falls from grace,

posting stable growth, steady regional expansion, and renewed confidence in their concepts.

Shakey's Pizza, the first franchised pizza chain in the US, is capitalizing on its over half a century of "staying power" according to Darrell Johnson, CEO of FranData. More pints are being poured at Ground Round Grill & Bar thanks to a complete overhaul under the leadership of CEO Jack Crawford. And Cincinnati-born Frisch's Big Boy, freshly acquired by former IFA Chair Aziz Hashim's NRD Capital, is in the midst of a remodeling and modernization effort which will help the brand leverage its nearly eighty-year legacy with a new generation of consumers. Read more [here](#).

Read more [here](#).

## **Network with Your Peers at the 2019 IFA Annual Convention**



You're invited to attend the premier event in franchising — the IFA's 2019 Convention – February 24-27, 2019 in Las Vegas! As a franchise operator, IFA 2019 is a can't-miss event. We have educational sessions and specialty events catered specifically to your needs. Consider attending the Franchisee Forum meeting on Feb. 26. The connections you'll make within the Franchisee Forum are invaluable to your personal and professional growth. For more information about the Forum, please email [franchisee@franchise.org](mailto:franchisee@franchise.org).

## **American Action Forum: Joint Employer Standard Negatively Impacts Franchises and Supply Chains**

The American Action Forum (AAF) published [a new research study](#) on the impact of

the current joint employer standard on supply chain companies. Specifically, the study estimates the total number of workers impacted by the broadened joint employer standard. Some key findings include:

- The broadened joint employer standard impacts 44 percent of private sector employees or 54.6 million workers, most of whom work in the supply chain.
- While the NLRB assumed that contractors pay low wages, the evidence indicates the opposite: Supply chain workers made on average over 50 percent more than the rest of the private sector in 2013.

AAF has previously released a few research papers on how the joint employer standard threatens the franchise business model indicating that the new standard is already harming franchises, and their workers.

Read the research [here](#).

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## In the News

[Minimum Wage Hike Fallout to Be Examined by House Committee](#), *Bloomberg*

[Putting job creators in his crosshairs](#), *Washington Times*

[McDonald's Remodels to Take Several Years Longer Than Promised](#), *Bloomberg*

[City Council bill would make companies liable for staff behavior at franchises](#), *New York Post*

[House Democrat agenda, led by \\$15 minimum wage, threatens economic prosperity](#), *The Hill*

[Anecdotal Evidence for 'Joint Employment' Rule May Not Be Enough](#), *Bloomberg*

[St. Paul City Council passes \\$15 minimum wage, and mayor signs it](#), *Star Tribune*

## Tweets of the Week:

[The expanded joint employer standard "could displace... workers, increase operating costs, and reduce productivity across the economy."](#)

- @Bengitis of @AAF

[From #SmallBusiness to the supply chain, the expanded joint employer standard hurts our economy.](#)

[Don't call it a comeback! Great WSJ piece featuring @Franchising411 members @ShakeysUSA, Darrell Johnson \(@FRANdata\), Jack Crawford \(@GroundRoundUSA\), and Aziz Hashim \(NRD Capital\) on the rejuvenation of three American classics.](#)

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## Featured FAN: Scott Kainz

Scott Kainz knew from a young age that he wanted to serve his country. He enlisted in the Army National Guard at the age of 17, and in 1997 moved to active duty. During his time in the Army, Kainz specialized in airborne forces, in which soldiers are trained to be dropped into battle, typically by parachute. In the early 2000s, he served in Operation Iraqi Freedom, building forward operating bases



and clearing the path for future troops.

Before becoming active duty, Kainz went to school to learn lineman work, gaining an understanding of electrical systems. So when it came time to establish the electrical framework for the first U.S. bases in Iraq, Kainz led those efforts. He was responsible for powering up the lighting, air conditioning systems, and ice makers – an extremely important task given temperatures of up to 140 degrees.

After serving for 12 years, Kainz retired in 2005. Unsure of next steps, but having a background in electricity, he took the first electrician job he could find. In 2008, when the recession hit, his job was cut. But losing his job ended up pushing him to go back to school. After graduating with an electrician license, he started his own company, Elite Electric Solutions.

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## Franchising Facts - Did You Know?

Unsurprisingly, the United States has the greatest number of franchise brands operating within its borders with about 2,500.

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