

Union Calendar No. 702

119TH CONGRESS
2D SESSION

H. R. 5267

[Report No. 119–802]

To preserve the franchise business model.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 10, 2025

Mr. HERN of Oklahoma (for himself, Mr. DAVIS of North Carolina, Ms. VAN DUYN, Ms. SCHOLTEN, Mr. EDWARDS, Mr. COSTA, Mr. ALFORD, Mr. GRAY, Mr. PFLUGER, Mr. CUELLAR, Mr. MORAN, Mr. BERA, Mr. VICENTE GONZALEZ of Texas, and Mr. MACKENZIE) introduced the following bill; which was referred to the Committee on Education and Workforce

SEPTEMBER 8, 2026

Additional sponsors: Mr. MEUSER, Mr. CARTER of Georgia, Mr. KILEY of California, Mr. BEAN of Florida, Mr. HARRIGAN, Mr. WILLIAMS of Texas, Mr. CARTER of Louisiana, Mr. VAN ORDEN, Mr. SESSIONS, Mr. FITZGERALD, Mr. BENTZ, Mrs. BICE, Ms. FOXX, Mr. BAUMGARTNER, Mr. KUSTOFF, Mr. OLSZEWSKI, Mr. SCHMIDT, Mr. FONG, Mr. GOTTHEIMER, Mr. COLE, Mr. PETERS, Mr. BARR, Mr. GROTHMAN, Mr. HARDER of California, Mr. FLEISCHMANN, Mr. YAKYM, Mr. MCGUIRE, Mr. CAREY, Mr. KELLY of Pennsylvania, Mr. THOMPSON of Pennsylvania, Mr. SMUCKER, Mr. WIED, Mr. AMODEI of Nevada, Mr. FEENSTRA, Ms. KING-HINDS, Mr. MOOLENAAR, Mr. TAYLOR, Ms. TENNEY, Mrs. HINSON, Mr. FALLON, Mr. STAUBER, Mr. CLINE, Mrs. MILLER of Illinois, Mr. RUTHERFORD, Mr. ADERHOLT, Mr. WEBSTER of Florida, Mr. ROUZER, Mr. FINSTAD, Mr. JACK, Mr. OWENS, Mr. ALLEN, Mr. STRONG, Mr. VALADAO, Mr. FINE, Mr. KEAN, Mr. MCCORMICK, Mr. DUNN of Florida, Mr. RULLI, Mr. CASE, Mr. MILLER of Ohio, Mrs. FEDORCHAK, Mr. ONDER, Mr. PATRONIS, Mr. DAVIS of Illinois, Mr. MOORE of Utah, Mr. EVANS of Colorado, Mr. STEUBE, Mr. PERRY, Mr. VEASEY, Mr. HARRIS of North Carolina, Mr. WITTMAN, Mr. BURLISON, Mr. MANN, Mr. BACON, Mr. FIELDS, Ms. STEFANIK, Mr. DESJARLAIS, Mr. GOODEN, Mr. BERGMAN, Mrs. HOUCHIN, Mr. AUSTIN SCOTT of Georgia, Mr. NEWHOUSE, Mr. TIMMONS, Mr. JOHNSON of South Dakota,

Mr. ESTES, Mr. KELLY of Mississippi, Mr. LAHOOD, Mr. WILSON of South Carolina, Mr. PALMER, Mr. NUNN of Iowa, Ms. HAGEMAN, Mr. OBERNOLTE, Mr. MESSMER, Ms. LETLOW, Mr. HUIZENGA, Mr. EZELL, Mr. McDOWELL, Mr. ROGERS of Alabama, Mr. MOORE of Alabama, Mr. FLOOD, Mr. DIAZ-BALART, Mrs. MILLER of West Virginia, Mr. BOST, Mr. CISCOMANI, Mr. GILL of Texas, Mr. WOMACK, Mr. COMER, Mr. MOORE of West Virginia, Mr. HARIDOPOLOS, Mr. MOORE of North Carolina, Mr. LANGWORTHY, Mr. CRANK, Ms. LEE of Florida, Mrs. KIGGANS of Virginia, Mr. SHREVE, Mr. VAN DREW, Mr. HURD of Colorado, Mr. LALOTA, Mr. BARRETT, Mrs. MILLER-MEEKS, Mrs. FISCHBACH, Mr. GIMENEZ, Mr. SCOTT FRANKLIN of Florida, Mr. NORMAN, Mr. HARRIS of Maryland, Mr. ARRINGTON, Mr. ROY, Mr. MOYLAN, Mr. ELLZEY, Mr. JOYCE of Ohio, Mr. CLOUD, Mr. BIGGS of Arizona, Mr. PANETTA, Mr. GOSAR, Mr. CALVERT, Mr. BEGICH, Mrs. WAGNER, Mr. CRANE, Ms. MALLIOTAKIS, Mr. DONALDS, Mr. ROSE, Mr. SELF, Ms. BOEBERT, Mr. GRIFFITH, and Mr. CARTER of Texas

SEPTEMBER 8, 2026

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on September 10, 2025]

A BILL

To preserve the franchise business model.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 *This Act may be cited as the “American Franchise*
5 *Act”.*

6 **SEC. 2. FINDINGS.**

7 *Congress finds the following:*

8 (1) *A franchise is a commercial relationship*
9 *under which a franchisee acquires the right to operate*
10 *an independent business that offers, sells, or distrib-*
11 *utes goods or services using a franchisor’s system of*
12 *operations, which typically includes the franchisor’s*
13 *business system and marketing plan, and its service*
14 *mark, trademark, trade dress, or trade name.*

15 (2) *To protect the integrity of its system of oper-*
16 *ations, a franchisor must set and enforce uniform*
17 *quality, marketing, and operational standards that*
18 *govern its use. Doing so helps maintain consistency*
19 *and uniformity in the nature and quality of the goods*
20 *and services distributed under the franchisor’s trade-*
21 *marks. That consistency and uniformity, in turn,*
22 *help ensure that consumer expectations are satisfied,*
23 *increase the value of the franchisor’s brand, and en-*
24 *hance the recognition and profitability of individual*
25 *franchises.*

1 (3) *Although franchisees must comply with these*
2 *standards, franchisees are independent business own-*
3 *ers. It is the franchisee who determines how to imple-*
4 *ment the franchisor’s standards, controlling on a day-*
5 *to-day basis the operations of its franchise and its*
6 *labor relations.*

7 (4) *The economic impact of this business model*
8 *has been profound. According to a September 2023 re-*
9 *port from Oxford Economics, in 2022, the economic*
10 *output of franchise establishments in the United*
11 *States was approximately \$825,000,000,000. During*
12 *that year, franchises employed approximately 5 per-*
13 *cent of all workers in the United States, which was*
14 *approximately 8,400,000 workers.*

15 (5) *Inconsistent and expansive views of what*
16 *constitutes a “joint employer” have impacted the via-*
17 *bility of franchising by creating joint employer liabil-*
18 *ity based on the franchisor’s exercise of control that*
19 *is inherent in franchise relationships.*

20 **SEC. 3. CLARIFICATION OF JOINT EMPLOYMENT FOR FRAN-**
21 **CHISING.**

22 (a) *NATIONAL LABOR RELATIONS ACT.—The National*
23 *Labor Relations Act (29 U.S.C. 151 et seq.) is amended by*
24 *adding at the end the following:*

1 **“SEC. 20. CLARIFICATION OF JOINT EMPLOYMENT FOR**
2 **FRANCHISING.**

3 “(a) *DEFINITIONS.—In this section:*

4 “(1) *DIRECT AND IMMEDIATE CONTROL.—The*
5 *term ‘direct and immediate control’ means the fol-*
6 *lowing with respect to each respective essential term*
7 *and condition of employment:*

8 “(A) *WAGES.—A franchisor exercises direct*
9 *and immediate control over wages if it actually*
10 *determines the wage rates, salary, or other rate*
11 *of pay that is paid to individual employees of a*
12 *franchisee or job classifications of employees of a*
13 *franchisee.*

14 “(B) *BENEFITS.—A franchisor exercises di-*
15 *rect and immediate control over benefits if it ac-*
16 *tually determines the fringe benefits to be pro-*
17 *vided or offered to a franchisee’s employees. Such*
18 *direct and immediate control—*

19 “(i) *includes selecting the benefit plans*
20 *(such as health insurance plans and pen-*
21 *sion plans) or level of benefits provided to*
22 *a franchisee’s employees; and*

23 “(ii) *does not include permitting a*
24 *franchisee, under an arm’s-length contract,*
25 *to participate in a benefits plan of the*
26 *franchisor.*

1 “(C) *HOURS OF WORK.*—A franchisor exer-
2 *cises direct and immediate control over hours of*
3 *work if it actually determines work schedules or*
4 *the work hours, including overtime, of a*
5 *franchisee’s employees. Such direct and imme-*
6 *diante control does not include—*

7 “(i) *establishing a franchisee’s oper-*
8 *ating hours; or*

9 “(ii) *establishing minimum staffing*
10 *levels to satisfy the franchise’s service stand-*
11 *ards.*

12 “(D) *HIRING.*—A franchisor exercises direct
13 *and immediate control over hiring if it actually*
14 *determines which particular employees will be*
15 *hired or which employees will not be hired. Such*
16 *direct and immediate control does not include—*

17 “(i) *encouraging, recommending, or re-*
18 *questing changes in staffing levels to accom-*
19 *plish tasks; or*

20 “(ii) *setting minimal recruiting and*
21 *hiring standards, such as those required by*
22 *law, for consumer or employee safety, or for*
23 *brand protection.*

24 “(E) *DISCHARGE.*—A franchisor exercises
25 *direct and immediate control over discharge if it*

1 *actually decides to terminate the employment of*
2 *an employee of a franchisee. Such direct and im-*
3 *mediate control does not include—*

4 “(i) *bringing misconduct or poor per-*
5 *formance to the attention of a franchisee*
6 *that makes the actual discharge decision;*

7 “(ii) *expressing a negative opinion of a*
8 *franchisee’s employee; or*

9 “(iii) *setting minimal standards of*
10 *performance or conduct, such as those re-*
11 *quired by law, for consumer or employee*
12 *safety, or for brand protection.*

13 “(F) *DISCIPLINE.—A franchisor exercises*
14 *direct and immediate control over discipline if it*
15 *actually decides to suspend or otherwise dis-*
16 *cipline a franchisee’s employee. Such direct and*
17 *immediate control does not include—*

18 “(i) *bringing misconduct or poor per-*
19 *formance to the attention of a franchisee*
20 *that makes the actual disciplinary decision;*

21 “(ii) *expressing a negative opinion of a*
22 *franchisee’s employee;*

23 “(iii) *refusing to allow a franchisee’s*
24 *employee to perform work under a franchise*
25 *offer or contract; or*

1 “(iv) setting minimal standards of per-
2 formance or conduct, such as those required
3 by law, for consumer or employee safety or
4 for brand protection.

5 “(G) SUPERVISION.—A franchisor exercises
6 direct and immediate control over supervision by
7 consistently and directly instructing a
8 franchisee’s employees how to perform their work
9 or by actually issuing employee performance ap-
10 praisals. Such direct and immediate control does
11 not include—

12 “(i) providing instructions to a
13 franchisee’s employees that—

14 “(I) are limited and routine; and

15 “(II) consist primarily of telling
16 a franchisee’s employees what work to
17 perform, or where and when to perform
18 the work, but not how to perform the
19 work;

20 “(ii) setting brand standards for the
21 performance of the work;

22 “(iii) offering training materials (in-
23 cluding training demonstrations) for a
24 franchisee to use in training the employees
25 of the franchisee; or

1 “(iv) *establishing minimum training*
2 *requirements for the employees of a*
3 *franchisee.*

4 “(H) *DIRECTION.—A franchisor exercises*
5 *direct and immediate control over direction by*
6 *assigning particular employees of a franchisee*
7 *their individual work schedules, positions, and*
8 *tasks. Such direct and immediate control does*
9 *not include offering resources and tools for a*
10 *franchisee to consider using to direct the work*
11 *schedules, positions, and tasks of the employees of*
12 *the franchisee.*

13 “(2) *ESSENTIAL TERMS AND CONDITIONS OF EM-*
14 *PLOYMENT.—The term ‘essential terms and conditions*
15 *of employment’ means wages, benefits, hours of work,*
16 *hiring, discharge, discipline, supervision, and direc-*
17 *tion.*

18 “(3) *FRANCHISE; FRANCHISEE; FRANCHISOR.—*
19 *The terms ‘franchise’, ‘franchisee’, and ‘franchisor’*
20 *have the meanings given such terms in section 436.1*
21 *of title 16, Code of Federal Regulations, as in effect*
22 *on the date of enactment of this section.*

23 “(4) *SUBSTANTIAL DIRECT AND IMMEDIATE CON-*
24 *TROL.—The term ‘substantial direct and immediate*
25 *control’—*

1 “(A) means direct and immediate control
 2 that has a regular or continuous consequential
 3 effect on an essential term and condition of em-
 4 ployment of a franchisee’s employees; and

5 “(B) does not include direct and immediate
 6 control that is only exercised on a sporadic, iso-
 7 lated, or de minimis basis.

8 “(b) *JOINT EMPLOYMENT.*—For the purposes of this
 9 Act, a franchisor may be considered a joint employer of the
 10 employees of a franchisee only if the franchisor possesses
 11 and exercises substantial direct and immediate control over
 12 one or more essential terms and conditions of employment
 13 of the employees of the franchisee.”.

14 (b) *FAIR LABOR STANDARDS ACT OF 1938.*—The Fair
 15 Labor Standards Act of 1938 (29 U.S.C. 201 et seq.) is
 16 amended by adding at the end of the following:

17 **“SEC. 20. CLARIFICATION OF JOINT EMPLOYMENT FOR**
 18 **FRANCHISING.**

19 “(a) *IN GENERAL.*—For purposes of this Act, a
 20 franchisor may be considered a joint employer of the em-
 21 ployees of a franchisee only if the franchisor meets the cri-
 22 teria for a joint employer with a franchisee under section
 23 20 of the National Labor Relations Act, except that, for pur-
 24 poses of determining joint-employer status under this Act,
 25 the terms ‘employee’ and ‘employer’ referenced in section

1 *20 of the National Labor Relations Act shall have the mean-*
2 *ings given such terms in section 3 of this Act.”.*

3 “(b) *DEFINITIONS.—In this section, the terms*
4 *‘franchisor’ and ‘franchisee’ have the meanings given such*
5 *terms in section 20(a) of the National Labor Relations*
6 *Act.”.*

7 ***SEC. 4. APPLICABILITY.***

8 *This Act, and the amendments made by this Act, shall*
9 *not apply to any proceeding that is commenced before the*
10 *date of enactment of this Act.*

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