March 29, 2020

National Governors Association
444 N Capitol Street NW
Washington, D.C. 20001

Dear Governor Hogan,

Governors, along with state agencies and legislators across the country are leading the charge against the COVID-19 pandemic. At the time of this letter, 12 states have taken action to ensure that employers’ unemployment insurance tax rates will not increase due to employees filing for unemployment compensation. **IFA urges states to waive increases in employers’ tax rates when COVID-19 is the direct cause of a former employee filing for unemployment compensation.**

The International Franchise Association is the world’s oldest and largest organization representing franchising worldwide. IFA protects and promotes franchising and the more than 733,000 franchise establishments that support nearly 7.6 million direct jobs, $674 billion of economic output for the U.S. economy, and 3 percent of the Gross Domestic Product (GDP). IFA members include franchise companies in over 300 different business format categories.

At the time of this letter, the majority of states have closed non-essential businesses and expanded eligibility for unemployment compensation. While these laudable acts ensure the safety of Americans and provide financial stability to millions of workers, they simultaneously create an unintended risk for employers. Employers’ unemployment insurance tax rates will significantly increase as their doors are forced to close and more of their workers become eligible for benefits.

State governments are better positioned to manage the influx of unemployment compensation claims through their respective unemployment insurance trust funds. Moreover, every state has access to the Federal Unemployment Account (FUA), which provides loan funds to states during economic downturns. Should states’ unemployment insurance trust funds become depleted, access to the FUA ensures that states have a continued flow of benefits.

Employers across the country are closing their doors to comply with state orders, and they simply cannot afford higher tax rates due to forced layoffs and loss of revenue. Waiving charges that increase tax rates will promote a more robust economy, benefit workers, and mitigate the financial burden on employers. For the aforementioned reasons, IFA urges states to waive unemployment compensation charges that are directly caused by COVID-19 against employer’ tax rates.

IFA stands ready to provide additional information and answer questions at your request. We look forward to working with state governments to benefit their residents moving forward.

Best Regards,

Jeff Hanscom
Vice President, State Government Relations
International Franchise Association