

## California Wants Joint Liability on Franchise Menu? IRS Requires More E-Filing in 2024



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Hey, everybody, this is Gene Marks, and welcome to this week's episode of The Week in Review, a Paychex Thrive podcast. Hope you've been having a good week last week. We've got some news that impacts your business this week, so let's get right to it, shall we?

Number one, a California bill would establish joint liability between franchisors and franchisees. It's called the Fast-Food Franchise Responsibility Act, and it would establish joint liability between franchisors and their franchisees for violations of applicable laws, including those implemented by the council that was established by the Fast Recovery Act. It's currently scheduled as a 2024 ballot measure.

Groups that oppose the FAST Recovery Act, such as the International Franchise Association, have announced opposition to the new initiative. If the measure makes it to the governor's desk, opponents may resort to the same referendum process used to delay and potentially prevent the implementation of the FAST Recovery Act.

Why is the IFA so against this law? I'll tell you why, because it puts joint employer status between the franchisor companies — the big boys — and all their individual franchisees. So, if you're an individual franchisee and you're running your business and say you do something bad or make a mistake or illegal or have a problem with an employee, they would take joint responsibility for any issue that you may encounter.

So, therefore, the larger franchisor organizations have concerns against this. They basically say that the individual franchisees, well, they pay a franchise fee and they run their businesses according to the terms of the franchise agreement and if they get in any trouble, you know, that's on them.

So, this will be a very big issue that we're going to have to keep a close eye on. If you're an individual franchisee, it could give you more protection under this Fast-Food Franchise a Responsibility Act, but just know that the big franchisee organizations are really opposing doing this.

Next item of news comes from the IRS. They issued their final regulations just last week that requires companies to begin e-filing, certain kinds of returns and documents starting in 2024. The new regulation

affects partnership returns, business income tax returns, certain information on returns, corporate income tax returns, disclosure statements, and notifications and certain excise tax returns.

To help with the process, the IRS created a free online portal to help you file Form 1099 Informational returns electronically. The IRS receives nearly 4 billion informational returns per year, and they're expected to receive 5 billion by 2028.

Now, while 99% of all informational returns were e-file in 2019, the IRS still received 40 million informational returns on paper. Now, this is a big issue for you potentially if you've got more than 10 employees. These informational returns were required for those companies that had more than 250 employees, but with these new regulations, they're going to be required for you if you've got more than 10 employees.

So, be well aware of these new filing requirements — E-filing requirements. Talk to your accountant about that now. Sounds like a very important issue.

Next up has to do with anti-trust laws. Some states are considering fundamental amendments to their antitrust laws to assist small businesses and provide further worker protections. New York, California —big surprise — Pennsylvania, and Minnesota are among those looking at anti-trust reforms.

The objective would be to shift from the traditional orientation of having nearly monopolistic market share to an "abuse of market share" standard, wherein huge players use their leverage to gain an arguably unfair edge, either in underpricing or otherwise damaging small-business competitors or minimizing labor costs. Proponents are citing studies concluding that both Wal-Mart and Amazon suppressed wages and benefits for warehouse and delivery workers when they enter a certain region.

So, does that impact you? Are you running a small business that is near some giant company that you think they're kind of a monopoly or at least they're abusing their market share? Well, if you're in New York, California, Pennsylvania, and Minnesota and some other states as well, you might be getting a break. Some of this legislation might be passing sometime in the next year that could enable you to be in a more competitive environment.

Finally, Amazon is planning to employ more robots than humans by the year 2030. Two new fulfillment centers are slated to be built in the United States in the next two years, with human workers barely edging robots 3 to 2. The company's investments in robotics and automation are expected to streamline warehouse operations, reduce costs and improve the speed and accuracy of deliveries.

Small business is expected to follow Amazon's lead, as is often the case. Some experts warn of potential job displacement and labor issues, though others say that more human roles will open from robotics.

Me? I'm a big fan of it all. I have been writing about robots and automation for the past few years, and I'm going to be writing more about robotics now. It's not only impacting companies like Amazon, but many small businesses in the restaurant and retail trades

Guys, if you are looking to grow your business, particularly in this era of short labor and tight, tight employee supplies as it is, you need to be investing in technology. I am seeing more and more of my clients, both manufacturer and distributors and service firms employing robots, A.I. workflows, and other forms of automation in their business to get work done with less of a workforce — not that they can find those workers anyway.

So, the investments that Amazon are making, you can bet that a lot of smaller organizations, manufacturers, distributors, warehouses as well, they're going to be making the same investments, too. And by the way, when big companies like Amazon and Toyota and GM and other companies invest significantly in robotics,

ultimately that brings the cost and the pricing of those robotics down to make it more affordable for small businesses.

I think that it will be a good thing in the future and those workers that may be out of a job. Well, first of all, we can't find workers anyway, but those workers that might be out of a job will be given the opportunity to become more skilled and more productive and contribute more to better jobs, hopefully more higher paying jobs, as well.

Well, that's the news for this week. I appreciate you joining me. You've been listening to the Week in Review, at Paychex Thrive podcast. My name is Gene Marks. If you've got any topics or guests you'd like to suggest, please visit us at [payx.me/thrivetopics](https://payx.me/thrivetopics). That's P-A-Y-X dot M-E/thrivetopics.

I will be back with you next week with another week in review where I will be sharing some new stories in the world of small business and how they impact your business. Look forward to talking to you then. Take care.

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