

Written Testimony of Tina Patel

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Local Ownership, National Brands: How Franchising is a Pathway to Entrepreneurship
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Introduction

Good afternoon, Chairman Williams, Ranking Member Velázquez, and distinguished members of the committee. Thank you for the opportunity to testify today on the importance of the franchise business model and the entrepreneurial opportunities it creates for small business owners. This is especially timely as you consider policy initiatives that will impact small business owners across the country who fuel this nation's economy.

My name is Tina Patel, I am a proud first generation American, small business owner, and hotelier from Eastern Oklahoma. I serve as the Co-Principal and Chief Financial Officer of Promise Hotels, a family-owned hotel development and management company based in Tulsa. We own and operate seven hotels in the greater Tulsa area, providing 713 rooms for guests, and employing more than 165 associates. We hold franchise agreements with several leading hotel companies and operate properties under well-recognized, nationally trusted brands. Our portfolio includes a range of select-service and limited-service hotels such as Hilton Garden Inn, Holiday Inn Express, Hampton Inn and Suites, Home2 Suites, and Tru by Hilton with licenses to develop future hotels with several top brands. Our success as a company is the result of years of hard work, sacrifice, and dedication to our team members and community around us.

I am honored to be here today on behalf of the American Hotel and Lodging Association, the largest hotel association in America, representing more than 33,000 members from all segments of the industry nationwide – including iconic global brands, 80 percent of all franchised hotels, independent hotels, management companies, REITs, bed and breakfasts, industry partners, and more.

Like many in the hotel industry, my story is that of the American Dream we all hope to achieve in this country. In 1979, my family and I immigrated to the United States from Walsall, England, seeking the opportunity America offers all who want it and settled in Kansas City, Missouri. My father worked in manufacturing while my mother stayed home to care for me and my siblings, all while searching for the right business opportunity for our family. A year later, my parents purchased a small, mom-and-pop roadside motel in Sedalia, Missouri, where I spent the next 15 years of my life. Growing up in a hotel meant learning every job firsthand—we were the front desk clerks, the housekeepers, handymen, janitors, plumbers, and whatever else the day required. As the eldest sibling, I also took on an assistant parental role at home as well as assisting with the business. With four other mouths to feed, my mother was constantly juggling responsibilities, running back and forth between the hotel and our schools. Throughout it all, my parents emphasized one thing: if I wanted a different life, I needed to prioritize my education.

I attended the University of Missouri–Kansas City and spent my summer breaks in Sedalia, helping my parents manage and maintain their hotel. I fixed pipes, cleaned the pool, repaired walls, and tackled whatever projects were needed to keep the property running. After a few years, my parents sold the motel and purchased another independent hotel that was closed in

Paris, Texas. I helped them open the new hotel, managing the influx of guests, balancing the books, and overseeing renovations to create an improved experience for guests. Just prior to helping my family with the hotel renovations, I met my husband Pete Patel, and I began to consider whether I wanted to remain in hospitality or pursue a different career path.

Concurrently, Pete began his career in the industry, managing a Days Inn in Tulsa, Oklahoma. In 1997, we decided to begin our married life in the way we knew best—by operating our first hotel, a 54-room Best Western in Sand Springs, Oklahoma. This was the first branded hotel I have operated, and while operating hotels independently was great, having the backing of a trusted brand instilled greater confidence in us as our first joint venture. While we had the brand flag, we managed that property hands-on for five years, operating around the clock, seven days a week. It became our passion and we were so proud of it.

My husband's strength has always been in customer service and operations, while mine has been in financial management. As the hotel succeeded, our friends and family who invested in us recognized our commitment and performance and offered us sweat equity in future projects. With that opportunity, we determined that hotel franchising provided the most viable path for long-term growth. This ultimately led us to the founding of our company Promise Hotels in 2008. To date, we have developed, acquired and operated over 30 hotels.

I am honored to share how franchising has provided stability, flexibility, and long-term success for me as a businesswoman and hotelier.

Overview of the Hotel Franchise Model and Support for the American Franchise Act

For tens of thousands of hoteliers and millions of other entrepreneurs, franchising is the most accessible pathway to building a business. In the lodging sector alone, franchised hotels support more than 2.8 million jobs, account for nearly 60 percent of all U.S. hotels, and generate nearly \$100 billion in annual economic impact.¹

Hotel franchising is a win-win partnership between franchisees and franchisors. It allows small business owners to combine their local business with nationally recognized brands. As a franchisee, I am the principal decision maker and bear the ultimate responsibility for the performance of my business. Consequently, I must independently evaluate and manage a complex set of variables beginning with securing financing, obtaining insurance, navigating zoning, permitting, and regulatory requirements, purchasing land, contracting with builders and vendors, complying with health and safety standards, hiring and managing employees, and overseeing daily operations. Most importantly, I assume the full financial risk associated with the business and am accountable for its success or failure.

On the other hand, hotel franchise companies play an important but distinct role in supporting my business. They are the recognizable brand name guests associate with consistency. Brands

¹ AHLA Analysis with FranDATA, <https://www.ahla.com/issue/franchising>

also set and maintain standards to ensure quality across the chain, approve franchise relationships, invest in national marketing campaigns, establish a loyalty program to drive customers to our properties, and provide training and guidance to business owners to support our success as entrepreneurs. This clear delineation of responsibility allows franchisees to remain autonomous while benefiting from an established, well-known brand.

A core strength of the franchisor–franchisee model is the ability to provide on-the-job training and clear pathways for advancement beyond entry-level roles for our employees. At Promise Hotels, we have seen this first-hand; our team members who began in housekeeping have advanced to front office supervisor, assistant manager, and ultimately property managers. Many of them go on to work at different businesses within the hospitality industry as their career grows. Operating under a national brand also gives our business access to university-style training resources that support ongoing education and career development. One Promise Hotels employee who started in housekeeping now oversees two of our properties, a testament to their professional growth and the opportunities franchised business provides.

The franchise business model has allowed a daughter of a small business hotelier to build a career spanning multiple hotels across different brands, create economic prosperity for hundreds of employees, and reinvest meaningfully into the communities we serve. My success is just one example of the many small business owners across the country who benefit from the franchise model. Across the country, millions of small business owners rely on franchising to grow locally owned enterprises while benefitting from nationally recognized brands, proven operating systems, and shared standards that consumers trust.

Franchisees like me need a permanent, common-sense joint employer definition. The most critical step Congress can take is to pass the bipartisan American Franchise Act (H.R.5267). I am grateful to my hometown Congressman, Kevin Hern (OK-01), from Tulsa, Oklahoma, for introducing this bill, with significant support across both sides of the aisle. My husband and I came to know Congressman Hern first as a fellow franchisee in the hospitality industry. As a restaurateur, he appreciates firsthand the struggles we go through every day to ensure our businesses not only survive but have the regulatory environment to thrive. This legislation provides the needed clarity and certainty for small business owners by preserving the traditional franchise relationship, protecting brand standards, and preventing regulatory overreach that could fundamentally undermine this proven model. Ensuring a stable franchising framework, while ensuring franchisees remain in control of our businesses, is essential to supporting entrepreneurship, local investment, and a strong, resilient lodging industry.

For franchisees, the constant back-and-forth rule changes every time the administration changes hands and creates significant uncertainty and risk. Shifting interpretations regarding employment, control, and liability make it difficult to plan for the future. I need to make decisions about financing, expansion, hiring, insurance coverage, and capital investments across multiple years, yet those decisions can be disrupted from one election change to the next. This cycle of regulatory volatility discourages investment, increases compliance costs, and injects

unnecessary risk into a model that has always helped small business owners. I have enough to worry about in running my business than to figure out which rules are now the standard based on political outcomes. I ask you and your colleagues to pass the American Franchise Act so owners can focus on running our operations with confidence, no matter which administration is in office.

Increasing Access to Capital for Small Business Owners

The lodging sector is one of the largest users of the Small Business Administration (SBA)'s 7(a) and 504 loan programs, and these tools play a vital role in helping small business owners start, sustain, and grow their businesses. As a small business owner in the lodging industry, I have seen firsthand how critical access to SBA financing is to secure capital and start a business and that Congress can do more to support small businesses who employ millions of people nationwide.

7(a) loans provide the flexibility many hoteliers depend on by supporting property acquisition, refinancing, renovations, working capital needs, equipment purchases, and transaction. However, even this program can present barriers, including restrictions on loan amounts, lengthy underwriting timelines, extensive documentation requirements, rising interest rates, and lender hesitancy during periods of economic uncertainty.

These challenges are even more pronounced with the 504 program. While valuable for long-term real estate development, the 504 loans are significantly more complex to secure, often involving multiple lenders, rigid project structures, and higher upfront costs. For many small business hoteliers, these hurdles can delay projects, limit expansion, or prevent otherwise viable investments from moving forward.

While there are many challenges associated with expanding access to capital for small business hoteliers, I applaud this Committee for prioritizing an increase in the 7(a) and 504 loan programs from \$5 million to \$10 million. Raising the loan limit will enable more entrepreneurs in our industry to grow from one property or brand to another, supporting job creation, strengthening local workforces, and driving tourism and economic activity in communities across the country.

Incentivizing Entrepreneurship

A central pillar of economic stability for the hotel and lodging sector has long been a predictable and pro-growth federal tax environment. Prior to the recent "Working Families Tax Cut Act's" enactment, hoteliers faced millions of dollars in tax hikes as critical provisions pertaining to business operations, accounting, and real estate were set to expire. I applaud Congress for their dedication to delivering significant long-term benefits for the hospitality sector and the broader business community. Hotels are inherently capital-intensive businesses that require continual modernization, and without these provisions, many hoteliers, including myself, face steep barriers to reinvestment in our properties.

Many of the provisions have been extremely beneficial to my company and will help us to grow our business, support our team members, and expand our community footprint. Because of Congress's bold actions, hoteliers are expected to invest tens of billions of dollars into the American economy over the next decade. Critical provisions included making the Internal Revenue Code Section 199A small business deduction permanent, restoring 100% bonus depreciation, preserving the like-kind exchange, and reauthorizing Opportunity Zones. The law provides long-term certainty that will unlock capital and enable hotel owners to remain engines of community development, workforce opportunity, and long-term economic growth.

Permanency for Section 199A small business deduction has allowed us to deduct up to 20% of our business income, which allows us the opportunity to reinvest those funds in our company in lieu of the additional tax burden.

Restoring bonus depreciation to 100% encourages us to reinvest capital to keep our properties fresh and up to date. We can then speed up the deduction in the first year to help lower taxable income. This provision allows small business hoteliers to invest in hiring, marketing, and purchasing inventory and often renovations through franchise-mandated Property Improvement Plans (PIP). We use this program at all our properties when possible.

Section 1031, the like-kind exchange, has allowed us to reinvest back into our business, thereby allowing us to hire additional employees and continue contributing to the vitality of the local economy. Lastly, the Opportunity Zone program is one near and dear to our hearts.

Reauthorizing this program has allowed us to develop one of our hotels in the Historic Greenwood District in Tulsa which employs over 30 associates. Our investors provided capital up front through this program, which incentivizes them to get the maximum tax benefit if they hold their investments for 10 years. This long-term partnership not only helps support the business's health in lieu of a quick flip property but also positions us to be a deep-rooted presence in the community.

Taken together, these pro-growth tax provisions support small business entrepreneurship and create thousands of jobs across the country. I am grateful to this Congress for delivering the certainty I and the millions of small business owners need to reinvest in our team members, properties, and our community.

Conclusion

Chairman Williams, Ranking Member Velázquez, and Members of the Committee, thank you for your leadership and for the opportunity to share my story today. I am proud to be here today as a representation of the American Dream on behalf of all of the hotel owners who share this dream with me in the hotel industry. I commend your commitment to expanding entrepreneurship across our country, and I look forward to working with you to strengthen access to capital and support the continued growth of small businesses nationwide.