

Government Withholding Relief Coalition

April 2, 2009

The Honorable Kendrick Meek
United States House of Representatives
Washington, DC 20515

The Honorable Wally Herger
United States House of Representatives
Washington, DC 20515

Dear Representative Meek and Representative Herger:

The *Government Withholding Relief Coalition* and its member organizations strongly support your legislation, H.R. 275, which would repeal Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (P. L. No. 109-222), the costly law that requires federal, state, and many local governments to withhold three percent from nearly all of their contract payments, Medicare payments, and farm payments.

Implementing this law will be extraordinarily costly for businesses and governments. The Department of Defense estimated that it would cost over \$17 billion in the first five years to comply with the three percent withholding requirement, which far exceeds any estimated revenue gains. This is only a small portion of the compliance costs with which governments and the private sector would be burdened as a result of implementing this mandate.

In particular, because the withholding is a flat percentage of revenues from government payments, it bears no relationship to companies' taxable incomes and it will restrict cash flow needed for day-to-day operations. In addition, the administrative and capital investment costs to businesses and governments will be substantial and the withholding mandate will be exceedingly complicated to implement.

While this requirement is not scheduled to go into effect until 2012, businesses and governmental entities are spending funds now trying to prepare for implementation due to the major system and regulatory changes that have to be made well in advance of 2012. These are needless preparation expenses, particularly during difficult economic times, for a requirement that most believe should never have been enacted and should be repealed.

The Government Withholding Relief Coalition and its member organizations appreciate your leadership on repealing this onerous withholding requirement and look forward to working with you and Congress to pass H.R. 275.

Sincerely,

Government Withholding Relief Coalition

- Aeronautical Repair Station Association
- Aerospace Industries Association
- Air Conditioning Contractors of America
- Air Transport Association
- America's Health Insurance Plans
- American Bankers Association
- American Clinical Laboratory Association
- American Concrete Pressure Pipe Association
- American Congress on Surveying and Mapping
- American Council of Engineering Companies
- American Farm Bureau Federation
- American Health Care Association
- American Institute of Architects
- American Logistics Association
- American Moving and Storage Association

- American Nursery and Landscape Association
- American Road & Transportation Builders Association
- American Shipbuilding Association
- American Society of Civil Engineers
- American Subcontractors Association
- American Supply Association
- American Trucking Associations
- Associated Builders and Contractors
- Associated Equipment Distributors
- Association of National Account Executives
- Business and Institutional Furniture Manufacturers Association
- Coalition for Government Procurement
- Colorado Motor Carriers Association
- Computing Technology Industry Association
- Construction Contractors Association
- Construction Industry Round Table
- Construction Management Association of America
- Design Professionals Coalition
- Edison Electric Institute
- Engineering & Utility Contractors Association
- Federation of American Hospitals
- Financial Executives International's Committee on Government Business
- Financial Executives International's Committee on Taxation
- Finishing Contractors Association
- Gold Coast Hispanic Chamber of Commerce
- Independent Electrical Contractors, Inc
- International Council of Employers of Bricklayers and Allied Craftworkers
- International Foodservice Distributors Association
- Management Association for Private Photogrammetric Surveyors
- Mason Contractors Association of America
- Mechanical Contractors Association of America
- Medical Group Management Association
- Messenger Courier Association of the Americas
- Miami Dade County
- Modular Building Institute
- National Association for Self-Employed
- National Association of Credit Management
- National Association of Manufacturers
- National Association of Minority Contractors
- National Beer Wholesalers Association
- National Burglar and Fire Alarm Association
- National Defense Industrial Association
- National Electrical Contractors Association
- National Emergency Equipment Dealers Association
- National Federation of Independent Business
- National Institute of Governmental Purchasing
- National Italian-American Business Association
- National Precast Concrete Association
- National Office Products Alliance
- National Roofing Contractors Association
- National Small Business Association
- National Society of Professional Engineers
- National Society of Professional Surveyors
- National Utility Contractors Association
- National Wooden Pallet and Container Association
- North Coast Builders Exchange
- Office Furniture Dealers Alliance
- Oregon Trucking Association
- Plumbing-Heating-Cooling Contractors - National Association
- Printing Industries of America
- Professional Services Council
- Regional Legislative Alliance of Ventura and Santa Barbara Counties
- Santa Rosa Chamber of Commerce
- Security Industry Association
- Sheet Metal and Air Conditioning Contractors National Association, Inc.
- Small Business & Entrepreneurship Council
- Small Business Legislative Council
- Textile Rental Services Association of America
- The Associated General Contractors of America
- The Association of Union Constructors
- The Distilled Spirits Council of the U.S.
- The Financial Services Roundtable
- The Technology Association of America
- U.S. Chamber of Commerce
- United States Telecom Association
- Women Impacting Public Policy