

# Congress of the United States

Washington, DC 20515

February 22, 2007

## Cosponsor the Withholding Tax Relief Act of 2007

Dear Colleague:

We would like to invite you to cosponsor bipartisan legislation we introduced earlier this week, H.R. 1023, the "Withholding Tax Relief Act of 2007." Our bill seeks to repeal a provision in the Tax Code passed last year that would negatively affect businesses that contract with government at the federal, state and local levels.

In particular, in Section 511 of the Tax Increase Prevention and Reconciliation Act, **Congress approved a new 3 percent withholding requirement on government payments to vendors that will take effect in 2011.** Governments that have less than \$100 million in gross receipts per year are exempt from withholding on payments, and payments to non-profit entities are also exempt.

**We are concerned this provision will seriously impact businesses that routinely provide goods and services to federal, state and local governments.** For example, withholding 3 percent of payments to a primary contractor could hamper cash flows needed to meet operating expenses, pay suppliers or subcontractors, or meet payroll. The withholding requirement would also create a new burden on those responsible for administering withholding and forwarding these payments to the IRS.

The 3 percent withholding was originally approved in an effort to narrow the "tax gap", or the difference between what the IRS thinks it will collect in taxes in a given year (based on the laws on the books) and what it actually does collect. Like most, we believe that Congress should ferret out non-compliance to the best of our ability. Still, efforts to bridge the "tax gap" should be weighed first against the real effects of new compliance burdens on honest taxpayers. **Regrettably, the 3 percent withholding provision paints all taxpayers that provide goods or services to governments as would-be criminals, which could both drive up the cost of doing business and increase the price of goods and services purchased by governments.**

Again, we invite you to cosponsor H.R. 1032, the "Withholding Tax Relief Act of 2007," and help us look for a more constructive way of reducing non-compliance in the Tax Code. If you are interested in adding your name to the bill, please contact Clarence Williams (Rep. Meek) at 5-4506 or Dan MacLean (Rep. Herger) at 5-3076.

Sincerely,

  
KENDRICK B. MEEK  
Member of Congress

  
WALLY HERGER  
Member of Congress

# **Government Withholding Relief Coalition**

February 15, 2007

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. 1023, which would repeal a sweeping new requirement mandating that federal, state, and local governments withhold three percent from payments for goods and services.

H.R. 1023 would repeal section 511 of the "Tax Increase Prevention and Reconciliation Act of 2005" that enacted the withholding provision. This new requirement affects all government contracts as well as other payments, such as Medicare, grants, and farm payments. We are deeply concerned about the potentially negative impact on all companies that receive contract payments or other forms of payment from all levels of government.

In particular, the withholding is based on revenues from government payments with no relationship to companies' taxable income and it will impinge on company cash flows needed for day-to-day operations. In addition, the administrative costs to businesses and all levels of government will be substantial and the process complicated to implement.

The Government Withholding Relief Coalition and its member organizations appreciate your leadership on repealing the Section 511 withholding requirement and look forward to working with you and Congress to pass H.R. 1023.

Sincerely,

Government Withholding Relief Coalition

**Coalition Members Include:** Aerospace Industries Association, Air Transport Association, America's Health Insurance Plans, American Congress on Surveying and Mapping, American Council of Engineering Companies, American Farm Bureau Federation, American Institute of Architects, American Moving and Storage Association, American Road & Transportation Builders Association, American Shipbuilding Association, American Society of Civil Engineers, American Supply Association, American Trucking Associations, Associated Builders and Contractors, Coalition for Government Procurement, CompTIA, Construction Management Association of America, Contract Services Association, Design Professionals Coalition, Edison Electric Institute, Electronic Industries Alliance, Federation of American Hospitals, Financial Executives International's Committee on Government Business, Financial Executives International's Committee on Taxation, Government Finance Officers Association, Independent Electrical Contractors, Inc., Information Technology Association of America, International City/County Management Association, International Foodservice Distributors Association, Management Association for Private Photogrammetric Surveyors, Mason Contractors Association of America, National Association for Self-Employed, National Association of Counties, National Association of Credit Management, National Association of Manufacturers, National Burglar and Fire Alarm Association, National Defense Industrial Association, National Electrical Contractors Association, National Federation of Independent Business, 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 Wooden Pallet and Container Association, Plumbing-Heating-Cooling Contractors - National Association, Printing Industries of America, Professional Services Council, Security Industry Association, Small Business & Entrepreneurship Council, The Associated General Contractors of America, The Financial Services Roundtable, The National Association of State Auditors, Comptrollers, and Treasurers, U.S. Chamber of Commerce, United States Conference of Mayors, United States Telecom Association, and Women Impacting Public Policy.