

Government Withholding Relief Coalition

July 11, 2006

The Honorable Larry Craig
United States Senate
Washington, D.C. 20510

Dear Senator Craig:

The *Government Withholding Relief Coalition* and its member organizations listed below strongly support your legislation, S. 2821, the Withholding Tax Relief Act of 2006. This important legislation would repeal section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222). Section 511 is a sweeping new requirement mandating that federal, state, and local governments withhold 3-percent from payments for goods and services. This new tax withholding requirement affects all government contracts as well as any payment to any person for a service or product provided to a government entity.

We are deeply concerned about the impact and the unintended consequences of this provision on all companies that receive contracts or other forms of payment from the government. Among other concerns, the withholding is based on revenues from government payments with no relationship to a companies' taxable income and will impinge on company cash flows needed for day-to-day operations. In addition, the costs to governments at all levels to administer the program will be substantial and the process exceedingly complicated to implement.

The *Government Withholding Relief Coalition* and its member organizations appreciate your leadership on the effort to repeal the withholding requirement and look forward to assisting you on this issue. We are committed to working with Congress to rescind this harmful provision.

Sincerely,

Government Withholding Relief Coalition

- Aerospace Industries Association
- Air Transport Association
- American Congress on Surveying and Mapping
- American Council of Engineering Companies
- American Institute of Architects
- American Road & Transportation Builders Association
- American Shipbuilding Association
- Associated Builders and Contractors
- Associated General Contractors of America

- Coalition for Government Procurement
- Construction Management Association of America
- Contract Services Association
- Electronic Industries Alliance
- Federation of American Hospitals
- Financial Services Roundtable
- Financial Executives International Committee on Taxation
- Information Technology Association of America
- Management Association for Private Photogrammetric Surveyors
- Mason Contractors Association of America
- National Association for the Self-Employed
- National Association of Credit Management
- National Association of Manufacturers
- National Defense Industrial Association
- National Federation of Independent Business
- National Italian-American Business Association
- National Society of Professional Engineers
- National Society of Professional Surveyors
- Plumbing-Heating-Cooling Contractors - National Association
- Printing Industries of America
- Professional Services Council
- National Roofing Contractors Association
- The Design Professionals Coalition
- Small Business & Entrepreneurship Council
- U.S. Chamber of Commerce
- USTelecom Association
- Women Impacting Public Policy