

# **Government Withholding Relief Coalition**

January 17, 2007

The Honorable Peter DeFazio  
United States House of Representatives  
Washington, D.C. 20515

Dear Representative DeFazio

The Government Withholding Relief Coalition strongly opposes efforts to accelerate the effective date of the three percent government withholding requirement (section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222)). In particular, we are concerned about reports that this proposal will be used as a revenue offset for the reauthorization of the Secure Rural Schools and Community Self-Determination Act of 2000.

Originally slated to take effect in 2011, this withholding requirement is a sweeping mandate on federal, state and local governments to withhold three percent of payments for goods and services. It also will affect Medicare payments, farm aid, and certain grants.

While we do not disagree with the goals of the rural schools legislation, we strongly oppose the new withholding requirement as it will have a severe negative impact on a wide range of private sector businesses and groups in the public sector. This requirement will sap cash flows needed for day-to-day business operations and force some companies to alter their business models and pricing schemes when dealing with government customers. In addition, the costs to governments at all levels to administer the program will be substantial and the process exceedingly complicated to implement. Any effort to accelerate the provision will only exacerbate these problems.

The Coalition strongly supports efforts in Congress to repeal this onerous requirement and believes that any advancement of the effective date will only increase the harm the provision will generate. Thank you in advance for considering our request not to include this ill-conceived provision as an offset for the rural schools legislation.

Sincerely,

Government Withholding Relief Coalition

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 Road & Transportation Builders Association  
American Shipbuilding Association  
American Society of Civil Engineers  
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  
Independent Electrical Contractors, Inc  
Information Technology Association of America  
Management Association for Private Photogrammetric Surveyors  
Mason Contractors Association of America  
National Association for Self-Employed  
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 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  
Printing Industries of America  
Professional Services Council  
Security Industry Association  
Small Business & Entrepreneurship Council  
The Associated General Contractors of America  
The Financial Services Roundtable  
U.S. Chamber of Commerce  
United States Telecom Association  
Women Impacting Public Policy