

Government Withholding Relief Coalition

October 29, 2009

The Honorable Robert Andrews
Chairman
Panel on Defense Acquisition Reform
United States House of Representatives
Washington, DC 20515

The Honorable Mike Conaway
Ranking Member
Panel on Defense Acquisition Reform
United States House of Representatives
Washington, DC 20515

Dear Chairman Andrews and Ranking Member Conaway:

The Government Withholding Relief Coalition and its member organizations are aligned in strong opposition to Section 511 of the *Tax Increase Prevention and Reconciliation Act of 2005* (P.L. 109-222), which mandates the sweeping new requirement that federal, state, and local governments withhold 3% of their payments for goods and services.

At a hearing of the Defense Acquisition Reform Panel held on October 15, 2009, tax issues and federal contractors were discussed. The Coalition strongly believes that private entities providing goods and services to the government should comply with federal, state, and local tax requirements. Companies that do not comply have an unfair competitive advantage over law-abiding contractors that pay their taxes. We believe there may be appropriate avenues in which to further enforce tax compliance by contractors, such as the increased information sharing that you and Congressman Ellsworth discussed during the hearing.

However, we strongly believe that withholding on government payments as required by Section 511 is not the answer and is actually counterproductive for the American taxpayer. The Department of Defense (DoD) released a report on April 14, 2008 that explicitly illustrates the extraordinary costs of the 3% withholding provision. DoD estimated that its costs to comply with the withholding requirement will be more than \$17 billion over the first five years, which far exceeds any estimated revenue gains. Although \$17 billion is substantial, it is only a portion of the additional costs with which federal, state, and local governments will be burdened.

As you prepare the final report and recommendations of the Defense Acquisition Reform Panel, we strongly encourage you to recommend repeal of the onerous and counterproductive 3% withholding law. We understand there may be committee jurisdictional issues, but due to the significant costs to DoD, we urge you to work with all those concerned to repeal the law as soon as possible. The implementation date was delayed by one year in the *American Recovery and Reinvestment Act* (P.L. 111-5); however, merely delaying the effective date is not a solution since there is still no equitable, practical, or cost-effective way to implement this requirement. Governments at all levels have and will continue to expend needless funds attempting to implement this law, which necessitates repeal as quickly as possible.

The Government Withholding Relief Coalition, which represents all sectors of the economy, believes it is imperative that the 3% withholding provision be repealed and requests that you include this recommendation in your final report.

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

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- 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 Traffic Safety Services Association
- American Trucking Associations
- Armed Forces Marketing Council
- 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 (CompTIA)
- Construction Contractors Association
- Construction Industry Round Table
- Construction Management Association of America
- Design Professionals Coalition
- Edison Electric Institute
- Electronic Security Association
- 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
- International Municipal Lawyers 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 Counties
- National Association of Credit Management
- National Association of Manufacturers
- National Association of Minority Contractors
- National Association of State Auditors, Comptrollers and Treasurers
- National Beer Wholesalers 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
- TechAmerica

- 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
- U.S. Chamber of Commerce
- Women Impacting Public Policy

Cc: The Members of the Defense Acquisition Reform Panel