

# Government Withholding Relief Coalition

December 16, 2009

TO THE MEMBERS OF THE UNITED STATES SENATE:

The Government Withholding Relief Coalition and its member organizations strongly urge you to include repeal of the 3% tax withholding law in any jobs-creating legislation that is being developed. This withholding law was enacted in Section 511 of the *Tax Increase Prevention and Reconciliation Act of 2005* (P.L. 109-222) and mandated the sweeping new requirement that federal, state, and local governments withhold 3% from nearly all of their contract payments, Medicare payments, farm payments, and some grants.

The provision is already proving costly and will increase exponentially as the implementation deadline moves closer. If this provision is not repealed, it will cost companies and governments at all levels substantial amounts of money. These exorbitant expenditures will be at the expense of hiring new employees, expanding businesses, and providing government services at a time that neither the public nor private sector can handle such unnecessary costs.

The Department of Defense estimated that it would cost over \$17 billion in the first five years to comply with the 3% 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.

The withholding is a flat percentage of revenues from government payments, bears no relationship to companies' taxable incomes, and will restrict cash flow needed for day-to-day operations and investments. 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. Access to capital is a major concern for businesses in this economy, and the 3% withholding will further compound this problem for businesses by limiting their operating capital and cash-on-hand. Businesses do not need additional limits on capital while the economy begins to recover.

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 burdensome expenses both in time and money, particularly during difficult economic times, for a requirement that most believe should never have been enacted and should be repealed. Furthermore, they will ultimately prove to be needless, should repeal occur.

Bills with the goal of creating jobs are perfect vehicles in which to repeal this onerous, job-killing requirement. The Government Withholding Relief Coalition, which represents all sectors of the economy, believes it is imperative that the 3% withholding provision be repealed as soon as possible to limit the damaging impacts to our economy.

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

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- 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 (BIFMA) International
- 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
- 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
- Government Finance Officers 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 Association of Wholesaler-Distributors
- National Beer Wholesalers Association
- National Defense Industrial Association
- National Electrical Contractors Association
- National Electrical Manufacturers Association
- National Emergency Equipment Dealers Association
- National Federation of Independent Business
- National Institute of Governmental Purchasing
- National Italian-American Business Association
- National League of Cities
- 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 Financial Services Roundtable
- U.S. Chamber of Commerce
- United States Telecom Association
- Women Impacting Public Policy