

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 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