

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
Government Affairs

1615 H STREET, N.W.
WASHINGTON, D.C. 20062-2000
202/463-5310

February 15, 2007

The Honorable Kendrick Meek
United States House of Representatives
Washington, DC 20515

The Honorable Wally Herger
United States House of Representatives
Washington, DC 20515

Dear Representative Meek and Representative Herger:

The U.S. Chamber of Commerce, the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region, writes to express our strong support for your bill, H.R. 1023. The Chamber appreciates your leadership in introducing this bill which repeals a costly and misguided tax withholding requirement on all government payments.

H.R. 1023 would repeal section 511 of the "Tax Reconciliation Act of 2005" (P.L. 109-222), which mandates that federal, state, and local governments withhold three percent from payments for goods and services starting in 2011. This unprecedented withholding mandate affects all government contracts as well as other payments, such as Medicare, grants, and farm payments. This requirement will force some companies to alter their business models and pricing schemes when dealing with the government.

While we appreciate the admirable goal of reducing the tax gap, we feel this withholding requirement is a step in the wrong direction. Measures to reduce the tax gap deserve scrutiny from all parties involved prior to enactment so that they are not unintentionally burdensome to the vast majority of compliant taxpayers. In addition to cash flow problems, the administrative costs to businesses and all levels of governments will be substantial and the process complicated to implement.

Your bill will provide relief to millions of businesses and individuals whose revenue streams will be directly and indirectly affected by the tax withholding requirement. The Chamber looks forward to working with you and Congress to pass H.R. 1023.

Sincerely,



R. Bruce Josten