

Congress of the United States
Washington, DC 20515

March 4, 2007

Cosponsor the Withholding Tax Relief Act of 2007

Dear Colleague:

Please join us in cosponsoring H.R. 1023, the "Withholding Tax Relief Act of 2007."

Our legislation would repeal Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005, which requires governments that spend in excess of \$100 million in procurements to deduct a 3% withholding from payments made to their vendors for federal tax purposes. Our bill seeks to repeal this provision in the tax code because of the negative effects that it would have on businesses and state- and local-governments.

We are concerned that this provision, which will become effective in 2011, will seriously impact small businesses, which often operate on tight margins. In particular, this tax could hamper vital cash flows needed to meet operating expenses, pay suppliers or subcontractors, and cover payroll. Businesses would be forced to raise prices to cover their diminished revenue streams.

Moreover, if Section 511 is not repealed, state and local governments would be required to establish new procedures for collection, administration, and payment of the withheld money, in effect, requiring them to act as federal tax collectors.

We commend the National Association of Counties for recognizing this as one of its most important legislative priorities in the 110th Congress, because if this law takes effect, it will cost communities around the country literally hundreds of millions of dollars in new administrative expenses and payments to the federal government.

We strongly encourage your support of H.R. 1023, the "Withholding Tax Relief Act of 2007." To add your name as a cosponsor of the bill, please contact Clarence Williams (Rep. Meek) at 5-4506 or Dan MacLean (Rep. Herger) at 5-3076.

Sincerely,



KENDRICK B. MEEK
Member of Congress



WALLY HERGER
Member of Congress

Government Withholding Relief Coalition

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 Government Withholding Relief Coalition and its member organizations strongly support your legislation, H.R. 1023, which would repeal a sweeping new requirement mandating that federal, state, and local governments withhold three percent from payments for goods and services.

H.R. 1023 would repeal section 511 of the "Tax Increase Prevention and Reconciliation Act of 2005" that enacted the withholding provision. This new requirement affects all government contracts as well as other payments, such as Medicare, grants, and farm payments. We are deeply concerned about the potentially negative impact on all companies that receive contract payments or other forms of payment from all levels of government.

In particular, the withholding is based on revenues from government payments with no relationship to companies' taxable income and it will impinge on company cash flows needed for day-to-day operations. In addition, the administrative costs to businesses and all levels of government will be substantial and the process complicated to implement.

The Government Withholding Relief Coalition and its member organizations appreciate your leadership on repealing the Section 511 withholding requirement and look forward to working with you and Congress to pass H.R. 1023.

Sincerely,

Government Withholding Relief Coalition

Coalition Members Include: 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 Moving and Storage Association, American Road & Transportation Builders Association, American Shipbuilding Association, American Society of Civil Engineers, American Supply Association, 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, Government Finance Officers Association, Independent Electrical Contractors, Inc., Information Technology Association of America, International City/County Management Association, International Foodservice Distributors Association, Management Association for Private Photogrammetric Surveyors, Mason Contractors Association of America, National Association for Self-Employed, National Association of Counties, 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 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 Wooden Pallet and Container Association, Plumbing-Heating-Cooling Contractors - National 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, The National Association of State Auditors, Comptrollers, and Treasurers, U.S. Chamber of Commerce, United States Conference of Mayors, United States Telecom Association, and Women Impacting Public Policy.