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NEWS RELEASE

Burdensome Withholding Provision Repealed!

On November 16, by an overwhelming vote of 422-0, the U.S. House of Representatives passed H.R. 674 on to repeal the three percent withholding provision of the Tax Increase Prevention and Reconciliation Act passed into law in 2006. NASACT applauds Congressmen Wally Herger (R-CA) and Earl Blumenauer (D-OR) and Senators Scott Brown (R-MA) and David Vitter (R-LA) for their efforts in moving the repeal effort forward.

This action is the final step in the long journey to repeal the onerous provision, as the legislation now proceeds to President Obama who has indicated that he will sign the bill into law. The Senate approved the measure on November 10.

If not repealed, the withholding provision would have imposed enormous administrative and financial burdens for cash strapped states and localities by requiring federal, state and most local governments to withhold three percent on certain payments to persons providing property or services beginning on January 1, 2013.

The repeal is a big win for NASACT and other state and local government organizations that have been urging Congress to repeal the measure for several years.

In addition to repealing the onerous three percent withholding provision, H.R. 674:

- Creates tax credits for employers who hire military veterans.
- Amends the definition of modified adjusted gross income under Sec. 36B(d)(2), which determines eligibility for certain health care benefits and insurance coverage provisions under the Patient Protection and Affordable Care Act of 2010, P.L. 111-148.
- Allows the IRS to impose a 100 percent levy against payment due to a vendor of property sold or leased to the federal government if the vendor has an unpaid federal tax liability. Under current law only vendors of goods or services are subject to the 100 percent levy.
- Directs the Treasury Department to conduct a study on tax compliance by vendors to the federal government.

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