

National Governors Association (NGA)
National Conference of State Legislatures (NCSL)
The Council of State Governments (CSG)
National Association of Counties (NACo)
National League of Cities (NLC)
The United States Conference of Mayors (USCM)
International City/County Management Association (ICMA)
Government Finance Officers Association (GFOA)
National Association of State Auditors, Comptrollers and Treasurers (NASACT)
National Association of State Budget Officers (NASBO)
National Association of State Chief Information Officers (NASCIO)
National Association of State Procurement Officials (NASPO)
National Association of State Retirement Administrators (NASRA)
National Conference of State Social Security Administrators (NCSSSA)
National Council on Teacher Retirement (NCTR)

October 24, 2011

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

Dear Representative:

We are writing on behalf of the state and local government organizations above to request your support for HR 674 slated for floor consideration this week. The legislation would repeal Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222) which requires federal, state, and local governments to withhold three percent on payments made for most goods and services. Immediate action is of the utmost importance to state and local governments and businesses nationwide.

This troubling provision will cause state and local governments to focus scarce resources on implementation at a time when those same resources are desperately needed to carry out important government programs. Sophistication of systems necessary to capture and report the required data vary greatly between governments and most entities do not have the resources, capacity or staff to undertake the required withholding and remittance. Additionally, state and local governments cannot withstand an increase in the cost of goods and services that will likely result when private sector companies pass along the three percent withheld as a cost of doing business.

Similarly, businesses will face enormous administrative and financial challenges as a result of Section 511 at a time when they are trying to focus on creating jobs and encouraging economic growth.

We urge you to support HR 674 as state and local governments must start spending scarce resources now in order to comply with a January 2013 deadline. The goal of our tens of thousands of members representing state and local governments is and needs to remain being focused on the very important task of delivering vital public services, and your vote to repeal Section 511 is requested. Should you have questions or if we can be of assistance in any way, please contact our representatives in Washington.

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