



National Association of State Auditors, Comptrollers and Treasurers

October 6, 2011

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CONTACT INFORMATION

Headquarters Office
449 Lewis Hargett Circle
Suite 290
Lexington, KY 40503-3590
(859) 276-1147
Fax (859) 278-0507

Washington Office
444 N. Capitol Street, NW
Suite 234
Washington, DC 20001
(202) 624-5451
Fax (202) 624-5473

www.nasact.org

The Honorable Dave Camp
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Camp and Ranking Member Levin:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers (NASACT), I would like to thank you for recognizing the importance of addressing Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222). We understand that H.R. 674, which would repeal this troubling provision, will come before the Ways and Means Committee this month. Full repeal of this law, which requires federal, state, and local governments to withhold three percent on payments made for most goods and services, is of the utmost importance and urgency to state and local governments.

Section 511 not only imposes a massive unfunded mandate, but 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. The 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, the costs to purchase or retrofit existing payment and procurement systems are particularly concerning in light of the current state and local government fiscal situation. State and local governments cannot withstand the cost increases in goods and services that will likely result when private sector companies pass along the three percent withheld as a cost of doing business.

We are equally concerned about the negative impact that Section 511 has on the small businesses across this country that assist governments by delivering vital public services. Government contractors not only build roads and schools, but they provide numerous critical services to our most underprivileged and needy citizens. The three percent withheld will in many instances exceed profit margins and dramatically affect cash flow for government contractors. This, in turn, will reduce the amount of money available for payroll, new business investment, and everyday expenses.

The most powerful engine of opportunity and economic growth in this country is small business. While we support efforts to close the tax gap, we do not believe imposing costly withholding mandates on state and local governments or severely limiting cash flow for government contractors will address non-compliance.

We applaud your efforts to address this costly provision and fully support repeal of Section 511.

Should you have any questions or require additional information please contact our representative in Washington, Cornelia Chebinou at (202) 624-5451 or cchebinou@nasact.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald L. Jones". The signature is written in a cursive style with a large, sweeping initial "R".

Ronald L. Jones
NASACT President, 2011-12
Chief Examiner, Alabama

cc: Representative Wally Herger
Representative Earl Blumenauer