

**Government Finance Officers Association (GFOA)**  
**International City/County Management Association (ICMA)**  
**International Municipal Lawyers Association (IMLA)**  
**International Public Management Association for Human Resources (IPMA-HR)**  
**National Council on Teacher Retirement (NCTR)**  
**National League of Cities (NLC)**  
**National Association of Counties (NACo)**  
**National Association of State Auditors, Comptrollers and Treasurers (NASACT)**  
**National Association of State Budget Officers (NASBO)**  
**National Association of State Procurement Officials (NASPO)**  
**National Association of State Retirement Administrators (NASRA)**  
**National Conference of State Social Security Administrators (NCSSSA)**  
**United States Conference of Mayors (USCM)**

March 7, 2011

The Honorable Dave Camp  
Chairman  
Committee on Ways and Means  
The United States House of Representatives  
Washington, DC 20515

Dear Chairman Camp:

We are writing on behalf of the state and local governments organizations above to applaud your recognition of the importance of repealing Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222) subsequent to your remarks to the Federation of American Hospitals. 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, particularly given the impending implementation date of January 1, 2012, and the lack of the issuance of final regulations from the Department of Treasury.

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. State and local governments face unique challenges in preparing to implement Section 511, as 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. 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. 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.

While we fully support enhanced transparency and tax compliance for all taxpayers, we believe there are numerous other more effective and more efficient ways to address vendor tax compliance. Since the passage of Section 511 in 2006, numerous legislative and regulatory provisions have been put into place to focus on increasing tax compliance. The enclosure to this letter, put together by the Government Withholding Relief Coalition, provides a summary of such provisions. The coalition is comprised of numerous concerned businesses and government associations.

We thank you for recognizing the problematic nature of this provision and ask that you address this issue immediately, as state and local governments must start spending scarce resources now in order to accommodate a January 1 deadline – without the benefit of even having final regulations from Treasury. H.R. 674 has been introduced by Ways and Means member Wally Herger and would repeal this troubling provision. 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 assistance in addressing repeal as soon as possible 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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Enclosure

cc: Representative Wally Herger