



Repeal 3% Withholding Tax on Government Purchases

Background

Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 requires federal, state, and local governments to withhold 3% from payments for goods and services and imposes a massive unfunded mandate on state and local governments. If implemented, the provision will cause significant administrative and other financial burdens since state and local governments will have to retool their accounts payable systems to implement the new law. Starting January 1, 2011, governments spending more than \$100 million per year on purchases of goods and services must withhold three percent from all payments to contractors and vendors and remit those funds to the Internal Revenue Service to be applied toward the contractors' and vendors' federal income tax liabilities.

H.R. 1023 by Representative Kendrick Meek (FL-17) would repeal the 3 percent tax withholding requirement. The bill currently has 239 co-sponsors.

Last year, the House passed a provision (H.R. 3056) to delay implementation of the withholding tax for one year, but nothing happened in the Senate.

Position:

The Florida League of Cities urges Congress to repeal this costly provision, or at least delay its implementation a minimum of one year.