



October 12, 2011

The Honorable Dave Camp
Chairman, Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Camp:

The Coalition for Government Procurement ("Coalition") appreciates the opportunity to comment in support of bringing H.R. 674 before the Ways and Means Committee for debate and vote. Our member companies strongly support H.R. 674, which would repeal the 3% Withholding mandate in Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005.

The Coalition for Government Procurement is a non-profit association of approximately 300 firms selling commercial services and products to the Federal Government. Coalition members include small, medium and large business concerns, all of which in most contexts would be subject to the withholding. The Coalition is proud to have worked with government officials over the past 30 years towards the mutual goal of common sense acquisition. Moreover, our common sense approach has led us to join a united effort as a member of The Government Withholding Relief Coalition. In addition to comments from The Government Withholding Relief Coalition, we would like to reemphasize a couple of key points.

Compliance with the 3% withholding will unduly burden both the public and private sectors, as both sectors will have to make significant changes to their financial systems in order to comply. Given the sweeping scope of the law covering both government and industry, implementation costs will substantially outweigh any possible savings.

The burdens of compliance with 3% withholding will harm the private sector. The 3% withholding will significantly impact the cash flow needed to support day to day operations. The reduction in revenue and increased costs will negatively affect small, medium, and large businesses and in turn the overall health of the economy. In particular, the negative impact on cash flow will inordinately affect small businesses as they often run on narrow margins of revenue. The cost of implementing new internal accounting systems will be magnified for small businesses as they lack the resources to absorb the increasing costs of compliance. Increasing compliance costs will mean cuts in operating expenditures and a potential increase in lost private sector jobs.

The Coalition supports full repeal of 3% withholding through H.R. 674 and appreciates the Ways and Means Committee's leadership on this important issue. If you have any questions, I am available at (202) 331-0975 or rwaldron@thecgp.org.

Regards,

A handwritten signature in dark red ink, consisting of stylized initials 'RW' followed by a long horizontal line extending to the right.

Roger Waldron
President