



October 10, 2007

United States House of Representatives
Washington, D.C. 20515

Dear Representative:

On behalf of Associated Builders and Contractors (ABC) and its more than 24,000 general contractors, subcontractors and material suppliers nationwide, I am writing because there is language included in H.R. 3056, the "Tax Collection Responsibility Act of 2007," that would delay the implementation of Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA) [P.L. 109-222] for one year.

Section 511 is a sweeping new requirement mandating that all government entities – federal, state and local – deduct and withhold from all payments made to any individual or business providing any goods or services an amount equal to three (3) percent of the total payment. This new withholding requirement affects all government contracts as well as any payment to any person for a service or product provided to a government entity. Included in P.L. 109-222 as a "revenue raiser" at the last hour, Section 511 was not debated in a transparent environment and was in neither the original House nor Senate-passed versions of TIPRA.

Congressmen Kendrick Meek (D-FL) and Wally Herger (R-CA), have introduced H.R. 1023, a bill which would repeal Section 511. Currently, this bill has bipartisan support with 217 cosponsors. We appreciate the Ways and Means Committee's efforts to further extend the implementation date of Section 511 from 2011 to 2012 in H.R. 3056, however, we strongly feel that because of the high number of cosponsors, any language discussing Section 511 should be done on its own merit.

The repeal of Section 511 is extremely important to the construction industry because the negative toll on our industry is grossly disproportionate. Three percent may not appear on the surface as a tremendous amount of money, however it is significantly larger than the profit margins permitted under many government contracts and will negatively impede cash flow, thereby jeopardizing a firm's ability to compete for business, or even complete projects.

Again, we appreciate the effort to address Section 511 in this legislation however the issue deserves to be discussed in H.R. 1023. We look forward to working with you to repeal this ill conceived provision in the future.

Sincerely,

William Spencer
Vice President, Government Affairs