

## **POSITION PAPER: WITHHOLDING ON GOVERNMENT CONTRACTS**

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### **The American Supply Association Supports Repeal of Section 511.**

- Legislation has been introduced to repeal Section 511 of the Tax Reconciliation Act of 2005 – a provision that will require tax withholding on government contracts.
- ASA and other members of the Government Withholding Relief Coalition will continue working for full repeal.
- Unless repealed, beginning in 2011, Section 511 will:
  - Require tax withholding at a rate of 3% on all government payments for products and services (including purchase orders) made by the federal government, state governments, and local governments.
  - Impose significant administrative costs and information reporting requirements on governments and companies.
  - Penalize honest taxpaying businesses while it attempts to find tax delinquents by essentially forcing companies to provide the federal government with an interest-free loan. The 3% withholding can significantly impact companies' cash flow.
  - Deprive companies of vital funds needed to operate day-to-day activities and force them either to pass along the added costs to customers or finance the additional amount.

*ASA is a member of the [Government Withholding Relief Coalition](#).*

