

I voted yes on H.R. 674, to repeal the imposition of 3 percent withholding on certain payments made to vendors by government entities.

The "3% Withholding Requirement," would require local, state and federal governments to withhold 3 percent from all payments to any business who contract goods and services in an ill-fated attempt to close the "tax gap" and raise revenues. The implementation of this regulation has been delayed several times in recognition that the costs imposed by such a requirement far outweigh any potential benefit. According to the Department of Defense, the withholding requirement will cost more than \$17 billion over the first five years alone, yet only bring in \$215 million annually in increased revenues.

I co-sponsored this legislation and advocated for its passage because I know first-hand as a businessman in Upstate New York that this onerous requirement will increase costs for every project commissioned by the government and negatively impact local governments, public school districts, and small businesses.

Furthermore, this amounts to an unfunded loan to the government by contractors and is a prime example of the law of unintended consequences by government at its worst, similar to the "1099" reporting provision. The 3 percent withholding provision is quite simply a fine without due process, and must be repealed permanently.