



SHEET METAL AND AIR CONDITIONING CONTRACTORS' NATIONAL ASSOCIATION

November 11, 2011

U.S. House of Representatives  
Washington, DC 20515

Dear Representative:

**Support and pass H.R. 674 as amended to repeal the 3% withholding law.**

**SMACNA supports H.R. 674 but has long argued for better tax enforcement and compliance by all government contractors and all businesses in general. Our membership believes there are ways to achieve this without withholding on businesses that are already fully tax-compliant.**

Current law would require withholding on payments over \$10,000 to government contractors at all levels of government starting January 1, 2013. The requirement also applies to large local governments making \$100 million or more in annual expenditures for goods and services. The law is inefficient, costly and revenue proceeds have been grossly overestimated.

**While regulations for the law state that the withholding applies only to the contractor with the direct contractual relationship and not to subcontractors, there is great concern among subcontractors about how the measure would work in reality.** The regulations unfairly require that the withheld amount on the prime contractor include amounts paid to subcontractors and IRS regulations notwithstanding prime contractor groups have indicated they believe withholding can be passed down to subcontractors. This is considered especially problematic for subcontractors because there is no mechanism for subcontractors to recover any of the withheld taxes nor is it clear that prompt pay for subcontractors would result under the withholding law.

*The Sheet Metal and Air Conditioning Contractors' National Association (SMACNA), is supported by more than 4,500 construction firms engaged in industrial, commercial, residential, architectural and specialty sheet metal construction throughout the United States.*



CAPITOL HILL OFFICE: 305 4TH STREET NE • WASHINGTON DC 20002  
PHONE: 202 547 8202 • FAX: 202 547 8810

HEADQUARTERS: 4201 LAFAYETTE CENTER DRIVE • CHANTILLY VA 20151-1209

MAIL ADDRESS: P.O. BOX 221230 • CHANTILLY VA 20153-1230

PHONE: 703 803 2980 • FAX: 703 803 3732

WEB: [www.smacna.org](http://www.smacna.org)