



Support and pass H.R. 674 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 work 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.



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