

Contributions to ACEC/PAC Don't Cost – They Pay

Bill/Issue	Summary	Cost/Benefit to Your Firm
<p>3% Withholding</p> <p>H.R. 275 introduced by Representatives Meek (D-FL) and Herger (R-CA)</p> <p>S. 292 introduced by Senator Arlen Specter (D-PA)</p>	<p>Section 511 of the Federal Tax code is a new requirement mandating that federal, state, and local governments withhold three percent from payments to engineering firms and other contractors for goods and services. The law, which takes effect in 2012, will cover all payments for products and services made by the federal government and state governments, as well as local governments that have annual expenditures that exceed \$100 million.</p> <p><i>Status:</i></p>	<p>Implementing the provision will cost federal agencies and state and local governments billions of dollars. The effect on engineering firms will be worse -- both in terms of creating cash flow problems as well, as affecting the important role they often play as subcontractors on large government contracts. Prime contractors may be compelled to pass the costs associated with the three percent withholding requirement to their subcontractors, or possibly shift from subcontracting work out to performing it internally.</p>