

ACEC

AMERICAN COUNCIL OF ENGINEERING COMPANIES

DAVID A. RAYMOND
PRESIDENT

July 24, 2006

The Honorable Larry Craig
United States Senate
520 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Craig:

On behalf of the American Council of Engineering Companies (ACEC) – the national voice of America's engineering industry – I am writing to express our strong support for your legislation, S. 2821, the Withholding Tax Relief Act of 2006.

This important legislation would repeal section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222). As you know, Section 511 is a sweeping new requirement mandating that federal, state, and local governments withhold 3-percent from payments for goods and services. This new tax withholding requirement affects all government contracts as well as any payment to any person for a service or product provided to a government entity.

ACEC members – numbering more than 5,500 firms throughout the country – are engaged in a wide range of engineering works that propel the nation's economy, and enhance and safeguard America's quality of life. ACEC member firms employ more than 300,000 engineers, architects, land surveyors, scientists, and other specialists, responsible for more than \$100 billion of private and public works annually. In the state of Idaho, ACEC represents 64 firms employing over 830 people.

ACEC is deeply concerned about the impact and the unintended consequences of this provision on all companies that receive contracts or other forms of payment from the government. Among other concerns, the withholding is based on revenues from government payments with no relationship to a companies' taxable income and will impinge on company cash flows needed for day-to-day operations. In addition, the costs to governments at all levels to administer the program will be substantial and the process exceedingly complicated to implement.

ACEC and its member firms appreciate your leadership on the effort to repeal the withholding requirement and look forward to assisting you on this issue. We are committed to working with Congress to rescind this harmful provision.

Sincerely,

