



American Institute of CPAs  
1455 Pennsylvania Avenue, NW  
Washington, DC 20004-1081

October 25, 2011

To Members of the United States House of Representatives:

On behalf of the 377,000 members of the American Institute of Certified Public Accountants, I am writing to express our support for H.R. 674 which is likely to be brought to the House floor this week for a vote. H.R. 674 repeals the Internal Revenue Code provision requiring federal, state, and local governments generally to withhold 3 percent on payments made to government contractors, and for Medicare, farm, and certain other payments. The 3 percent withholding law will become effective on January 1, 2013 in the absence of repeal.

Our CPA members who provide services to state and local governments are hearing that these governmental entities consider the 3 percent withholding law to be an unfunded mandate, forcing them to incur a costly reprogramming of their accounting and procurement systems during difficult economic times. Moreover, in the absence of repeal, the withholding law will likely have a pronounced (but negative) impact on government contractors with low profit margins, potentially threatening their operations due to a tightening of cash flow. Our members have also heard from clients that the withholding law will have a negative impact from a Medicare payment perspective on physicians, nurses, medical support staff, and hospital administrators. We emphasize this latter point, particularly since we are not aware of any data suggesting that medical professionals (in general) are a compliance risk with respect to their payment of federal income taxes, considered the fundamental reason for imposing a withholding regime.

For the reasons stated above, we strongly support H.R. 674.

Sincerely,

A handwritten signature in black ink that reads "Patricia A. Thompson". The signature is written in a cursive, flowing style.

Patricia A. Thompson, CPA  
Chair, AICPA Tax Executive Committee