



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

October 25, 2011
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 674 – Repeal of the Three Percent Withholding on Government Vendors

(Rep. Herger, R-CA, and 269 cosponsors)

The Administration supports passage of H.R. 674, which would repeal a three percent withholding on certain payments made to private contractors by Federal, State, and local government entities.

The repeal of the withholding requirement in H.R. 674 would reduce a burden on government contractors who otherwise comply with their tax obligations, particularly small businesses. As evidenced in the President's proposed American Jobs Act, released September 12, 2011, the Administration has supported alleviating this burden, which was originally enacted into law on May 17, 2006. The Administration also believes it is important to ensure that Federal contractors are compliant with tax laws and supports more targeted efforts that prevent persons with outstanding tax debts from receiving Federal contracts. The effect of the repeal of the withholding requirement would be to avoid a decrease in cash flow to these contractors, which would allow them to retain these funds and use them to create jobs and pay suppliers. This would complement the Administration's other efforts to help small businesses. Repeal of the withholding requirement would also reduce implementation costs borne by Federal and other governmental agencies. The Administration would be willing to work with the Congress to identify acceptable offsets for the budgetary costs associated with the repeal, which could include but are not limited to ones that are in the President's detailed blueprint outlined to the Congress on September 19, 2011.

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