

Council of State Governments (CSG)
Government Finance Officers Association (GFOA)
International City/County Management Association (ICMA)
National Association of Counties (NACO)
National Association of State Auditors, Comptrollers and Treasurers (NASACT)
National Association of State Retirement Administrators (NASRA)
National Council on Teacher Retirement (NCTR)

October 16, 2006

The Honorable Wally Herger
United States House of Representatives
Washington, D.C. 20515

Dear Congressman Herger:

On behalf of the organizations listed above representing state and local governments nationwide, we are writing in support of H.R. 6242. This important bill would repeal section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222) which requires federal, state, and local governments to withhold three percent from payments for goods and services.

Section 511 imposes a massive unfunded mandate on state and local governments and will cause significant administrative and other financial burdens since our members will have to retool their accounts payable systems to implement the new law. No doubt additional cost will also be borne by state and local governments due to the fact that the costs for doing business with state and local governments will increase, and the private sector companies will pass those costs along.

As you are well aware, state and local governments are already required to assist the IRS in its collection duties by reporting payments to corporations and individuals. Oft-cited reports out of the Government Accountability Office (GAO) have found no evidence that this reporting is insufficient to identify noncompliance by state and local contractors. Rather, they target noncompliance by federal contractors, many of which are excluded from the current information reporting regime due to national security concerns and other targeted exemptions.

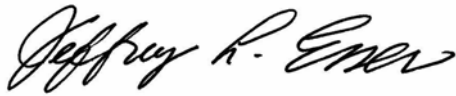
A Senate Finance Committee background piece on the withholding provision states that the new withholding provision is merely a new mechanism for facilitating tax deposits. This new mechanism, however, shifts the burden of collection from the federal government to state and local governments at cost significant enough to violate the Unfunded Mandates Reform Act.

We applaud your efforts to repeal this costly provision and look forward to working with you to rescind this unfunded mandate on state and local governments. Should you have

any questions or would like additional information please contact our Washington representatives:

Jim Brown, CSG, 202-624-5460
Cornelia Chebinou, NASACT, 202-624-5451
Susan Gaffney, GFOA, 202-393-8020
Rob Carty, ICMA, 202-962-3560
Alysoun McLaughlin, NACO, 202-942-4254
Jeannine Markoe Raymond, NASRA, 202-624-1147
Leigh Snell, NCTR, 703-684-5236

Sincerely,



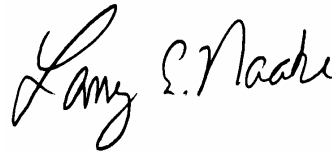
Jeffery L. Esser, Executive Director
GFOA



Glenda Chambers, Executive Director
NASRA



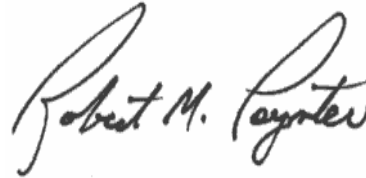
James J. Mosman, Executive Director
NCTR



Larry E. Naake, Executive Director
NACO



Robert J. O'Neill, Jr., Executive Director
ICMA



Robert M. Poynter, Executive Director
NASACT



Daniel M. Sprague, Executive Director
CSG