

Washington, D.C. – Congressman Wally Herger (R-CA) delivered the following remarks at a Ways & Means Committee meeting to consider his legislation, H.R. 674, to repeal the 3% withholding provision. The provision requires government agencies at all levels (federal, state, and local) to withhold 3 percent of their payments to businesses for goods and services. This amount is held as a down payment of the business's federal income tax liability. There has been broadly expressed concern among small businesses that the provision could wipe out their already slim profit margins. The bill was passed unanimously out of committee and is expected to be voted upon by the full House of Representatives in a few weeks. Herger's legislation, which currently has 269 bipartisan cosponsors, has been strongly supported by a broad coalition of business groups, including the Chamber of Commerce, National Association of Manufacturers, and National Federation of Independent Businesses.

"Thank you, Chairman Camp. As someone who strongly opposed the 3% withholding tax ever since it was signed into law five years ago, I'm delighted that we are taking action to repeal it once and for all. I especially want to thank Mr. Blumenauer for his leadership on this issue, as well as our 26 other bipartisan cosponsors who serve on this Committee.

"Today we have the opportunity to do what Americans have called upon Congress to do: work together in a bipartisan way to encourage job creation. The 3 percent withholding tax stands in the way of jobs because it threatens to constrict the cash flow of thousands of small businesses that provide goods and services to federal, state, and local government agencies. Permanently repealing this tax is an important step toward giving these businesses the assurance that it's safe to invest, grow, and hire more workers.

"It's important to emphasize that while H.R. 674 is scored as reducing revenue by \$11 billion, it also eliminates the far greater cost of implementing this looming tax, a cost that's been estimated at \$17 billion for the Department of Defense alone. Repeal is fiscally responsible.

"We're looking for actions Congress can take to create jobs right now. This is a win-win. I urge all members of the Committee to support this legislation."

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