

## NACM Launches Campaign To Repeal New Tax On Business

August 15, 2006: Columbia, Maryland—The **National Association of Credit Management (NACM)** today launched a campaign to repeal a little-known provision of H.R. 4297, known as the *Tax Increase Prevention and Reconciliation Act of 2005* (P.L. 109-222). The impact of this provision, which is contained in section 511 of the Act, escaped the attention of much of the media and most members of Congress when President Bush signed it into law on May 17, 2006.

Section 511 of this law imposes a new 3 percent withholding tax on the value of most contracts for goods and services between businesses and federal and state governments, as well as local political subdivisions with contracting expenditures of \$100 million or more. NACM contends that this 3 percent withholding tax will impose a significant financial strain on all businesses that provide goods and services to government.

“We believe this new 3 percent withholding tax will be especially burdensome to many small- and medium-sized businesses that exist on very tight cash flows and simply can’t afford the cash flow reduction this tax would impose,” said NACM President Robin Schauseil. “However, the financial hardship this new tax imposes affects all businesses that do business with governmental entities—no matter what their size.”

NACM formed a work group to study this issue last year that later resulted in the full NACM Board voting unanimously to oppose this new 3 percent withholding tax. “When it appeared last year that section 511 would not be part of any enacted legislation, efforts by NACM to oppose it were placed on hold,” Schauseil said. “However, now that the section unexpectedly found its way into a Bill passed by Congress this year, and signed into law by President Bush, a program of opposition to it must be kicked into high gear.”

There would be costly administrative burdens placed on the government agencies collecting this tax as well as on those businesses that have to pay it, Schauseil pointed out. “In addition to the financial burden this places on many government contractors, we have not yet seen any explanation from the federal government regarding how this tax is to be forwarded, to what agencies and how it’s to be accounted for by the IRS,” she said. “Furthermore, the Congressional Budget Office (CBO) reported that the withholding provision is an unfunded mandate on state and local governments because it exceeds the allowable \$50 million annual threshold. These are just some of the administrative and accounting issues that would have to be worked out in order to collect the tax.”

Although the tax doesn’t take effect until December 31, 2010, Schauseil said it’s important to spring into action now to increase awareness of this new 3 percent withholding tax so that those affected by it can join the campaign to repeal it as soon as possible. She noted that the same day as President Bush signed the bill into law, U.S. Sen. Larry Craig, (R-ID), introduced S. 2821, the *Withholding Tax Relief Act of 2006*, which repeals section 511 of the law, effectively eliminating this new 3 percent withholding tax. “Thanks to Sen. Craig’s bill, we now have a convenient and decisive way to repeal this unnecessary tax,” Schauseil said. “We have urged all NACM members to support S. 2821, and will work hard to encourage all businesses negatively impacted by this impending new 3 percent withholding tax to support Sen. Craig’s bill.”

###

The National Association of Credit Management (NACM), headquartered in Columbia, Maryland supports more than 25,000 business credit and financial professionals worldwide with premier industry

services, tools and information. NACM and its network of Affiliated Associations are the leading resource for credit and financial management information and education, delivering products and services that improve the management of business credit and accounts receivable. NACM's collective voice has influenced legislative results concerning commercial business and trade credit to our nation's policy makers for more than 100 years, and continues to play an active part in legislative issues pertaining to business credit and corporate bankruptcy. [www.nacm.org](http://www.nacm.org)

Media Contact: Norma Heim  
410-740-5560