

The logo for the American Council of Engineering Companies (ACEC) features the acronym "ACEC" in a large, bold, serif font. Above the letters is a thin, curved yellow line. Below the acronym, the full name "AMERICAN COUNCIL OF ENGINEERING COMPANIES" is written in a smaller, all-caps, sans-serif font.

AMERICAN COUNCIL OF ENGINEERING COMPANIES

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NEWS RELEASE

FOR IMMEDIATE RELEASE

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**Senate Repeals Onerous New 3% “Tax” on Business;
Benefits Federal, State and Local Agencies**
ACEC Instrumental in Five-Year Fight against “Fundamentally Flawed Policy”

WASHINGTON, DC – The Senate today averted a serious blow to American businesses by passing legislation to repeal a federal mandate requiring government agencies to withhold payments to their contractors, said David A. Raymond, president and CEO of the American Council of Engineering Companies (ACEC).

The House has also passed similar legislation, and is expected to clear the amended bill next week. President Obama has indicated his support for the legislation.

“The mandate would have caused cash-flow nightmares for engineering firms, and for all other honest taxpaying businesses that serve public sector clients,” said Raymond. “Without a doubt, today’s vote helps to correct a fundamentally flawed policy that would have severely hampered the nation’s economic recovery effort.”

Adopted in 2006, the mandate requires federal, state and certain local agencies to withhold 3 percent of payments owed to engineering firms and other businesses for services provided. Intended as a tax enforcement mechanism, the realities of implementing and enforcing the mandate were quickly brought to light. It is estimated that the mandate would cost agencies more to implement than would be recovered by the IRS – the Department of Defense alone estimated its 5-year implementation cost to be \$17 billion.

The mandate would also penalize honest firms that pay their taxes, while at the same time creating severe cash flow problems, particularly for smaller firms, which could be forced to take out loans or other measures to make up for the withheld payments.

Since its adoption, ACEC and the U.S. Chamber of Commerce have led a coalition of over 100 business associations seeking to repeal the unfair mandate. Engineering firm owners have lobbied to secure hundreds of cosponsors for the repeal legislation, and have testified before the IRS and congressional committees on the problems the withholding mandate would create for engineering companies working for government clients.

The American Council of Engineering Companies (ACEC) is the business association of America’s engineering industry. Council members numbering more than 5,000 firms and representing more than 500,000 employees throughout the nation are engaged in the development of America’s transportation, water and energy infrastructure, as well as environmental, industrial and other public and private facilities. Founded in 1909 and headquartered in Washington, D.C., ACEC is a national federation of 51 state and regional organizations.