

## **CONGRESS REPEALS 3% GOVERNMENT CONTRACTOR WITHHOLDING TAX**

By a 422-0 vote, the House of Representatives passed bill H.R. 674 that will repeal the 3% government contractor withholding requirement. The Senate had already approved the Bill and now it awaits President Obama's signature.

Contractors who perform public projects would have been subject to this 3% federal withholding on government payments starting January 1, 2013. The 3% withholding would have been based on the total contract price of the project and it would apply to each and every payment over \$10,000 to a contractor. The unpopularity of this withholding requirement is evidenced by the fact that the requirement was enacted in 2006 and has yet to ever go into effect.

The new bill also includes tax credits, called returning heroes and wounded warriors work opportunity tax credits, for employers who hire military veterans. These tax credits will not be available to employers until after the date of enactment of the new bill.

Geoff Burr, the Vice President of Federal Affairs for Associated Builders and Contractors, Inc., sums up the importance of this Bill by explaining that, "By an overwhelming bipartisan vote, the U.S. House of Representatives has removed an economic cloud of uncertainty hanging over the nation's construction industry...This important vote is just a beginning. We call on Congress to continue its efforts to eliminate job-killing, burdensome rules and regulations and provide small businesses with a fair and stable economic environment that is needed to spur job growth and get people back to work."