

Aric Newhouse

Senior Vice President
Policy and Government Relations

October 20, 2011

U.S. Senate
Washington, DC 20510

Dear Senator:

The National Association of Manufacturers (NAM), the largest manufacturing association in the United States representing manufacturers in every industrial sector and in all 50 states, urges you to support S. 1726, the Withholding Tax Relief Act.

U.S. tax policy should promote economic growth, job creation and the ability of U.S. manufacturers to compete in world markets. The tax burden should remain as low as possible, broadly based and nondiscriminatory.

Unfortunately, the 3 percent withholding requirement in Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 fails to meet these criteria on several levels. Originally designed to address a so-called "tax gap" problem among a small number of government contractors, the 3 percent withholding tax would apply to nearly all local, state and federal government contracts.

Unless repealed before it takes effect on January 1, 2013, the withholding tax will impose additional costs and administrative burdens on manufacturers that do business with the government. It would severely restrict many companies' cash-flow and drain capital that could be used to create jobs and expand businesses.

In effect, the 3 percent withholding tax represents little more than a tax-free loan to the government. S. 1726 would wisely repeal the tax, and we urge your support.

The NAM's Key Vote Advisory Committee has indicated that votes on S. 1726, including procedural votes, may be considered for designation as Key Manufacturing Votes in the 112th Congress. Thank you for your consideration.

Sincerely,



Aric Newhouse

Key Manufacturing Vote