

Submitted by: Assembly Member Johnston  
Prepared by: Assembly Counsel  
For reading: September 16, 2008

CLERK'S OFFICE

**AMENDED AND APPROVED ANCHORAGE, ALASKA**

Date: 9-16-08 AR NO. 2008-197

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING  
PASSAGE OF FEDERAL LEGISLATION IN S. 777 AND H.R. 1023 TO REPEAL THE 3%  
WITHHOLDING REQUIREMENT IN THE TAX INCREASE PREVENTION AND  
RECONCILIATION ACT OF 2005.

WHEREAS, Section 511 of the Tax Increase Prevention and Reconciliation Act  
of 2005 (Public Law 109-222) will require boroughs, cities and states to withhold 3% of  
payments to from vendors and contractors for federal income tax purposes; and

WHEREAS, this federal income tax withholding provision will dampen  
competitive bidding, increase the cost of public sector procurement, as well as shifting  
the administrative burden of federal tax collection to municipal and borough taxpayers;  
and

WHEREAS, Section 511 applies to contractor payments made by every political  
subdivision of a state after December 31, 2010; and

WHEREAS, complying with this law will be onerous for cities and boroughs,  
their vendors and their contractors; and

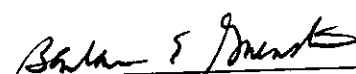
WHEREAS, Section 511 will not accomplish its stated goal of closing the  
budget gap;

NOW THEREFORE BE IT RESOLVED that the Anchorage Assembly is opposed  
to Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 and in  
supporting passage of S. 777 and H.R. 1023, encourages the full Alaska Delegation in  
Washington, D.C. to work to support passage of S. 777 and H.R. 1023 to repeal  
Section 511.

PASSED AND APPROVED by the Anchorage Assembly this 16th day of  
September, 2008.

  
Chair

ATTEST:

  
Municipal Clerk

**SEC. 511. IMPOSITION OF WITHHOLDING ON CERTAIN PAYMENTS  
MADE BY GOVERNMENT ENTITIES.**

(a) In General- Section 3402 is amended by adding at the end the following new subsection:

`(t) Extension of Withholding to Certain Payments Made by Government Entities-

`(1) GENERAL RULE- The Government of the United States, every State, every political subdivision thereof, and every instrumentality of the foregoing (including multi-State agencies) making any payment to any person providing any property or services (including any payment made in connection with a government voucher or certificate program which functions as a payment for property or services) shall deduct and withhold from such payment a tax in an amount equal to 3 percent of such payment.

`(2) PROPERTY AND SERVICES SUBJECT TO WITHHOLDING-

Paragraph (1) shall not apply to any payment--

`(A) except as provided in subparagraph (B), which is subject to withholding under any other provision of this chapter or chapter 3,

`(B) which is subject to withholding under section 3406 and from which amounts are being withheld under such section,

`(C) of interest,

`(D) for real property,

`(E) to any governmental entity subject to the requirements of paragraph (1), any tax-exempt entity, or any foreign government,

`(F) made pursuant to a classified or confidential contract described in section 6050M(e)(3),

`(G) made by a political subdivision of a State (or any instrumentality thereof) which makes less than \$100,000,000 of such payments annually,

`(H) which is in connection with a public assistance or public welfare program for which eligibility is determined by a needs or income test, and

`(I) to any government employee not otherwise excludable with respect to their services as an employee.

`(3) COORDINATION WITH OTHER SECTIONS- For purposes of sections 3403 and 3404 and for purposes of so much of subtitle F (except section 7205) as relates to this chapter, payments to any person for property or services which are subject to withholding shall be treated as if such payments were wages paid by an employer to an employee.'.

(b) Effective Date- The amendment made by this section shall apply to payments made after December 31, 2010.

S 777 IS

110th CONGRESS

1st Session

**S. 777**

To repeal the imposition of withholding on certain payments made to vendors by government entities.

**IN THE SENATE OF THE UNITED STATES****March 6, 2007**

Mr. CRAIG introduced the following bill; which was read twice and referred to the Committee on Finance

[+]  
FEEDBACK

**A BILL**

To repeal the imposition of withholding on certain payments made to vendors by government entities.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the 'Withholding Tax Relief Act of 2007'.

**SEC. 2. REPEAL OF IMPOSITION OF WITHHOLDING ON CERTAIN PAYMENTS MADE TO VENDORS BY GOVERNMENT ENTITIES.**

The amendment made by section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 is repealed and the Internal Revenue Code of 1986 shall be applied as if such amendment had never been enacted.

**END**

110TH CONGRESS  
1ST SESSION

# H. R. 1023

To repeal the imposition of withholding on certain payments made to vendors  
by government entities.

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IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 13, 2007

Mr. MEEK of Florida (for himself and Mr. HERGER) introduced the following  
bill; which was referred to the Committee on Ways and Means

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## A BILL

To repeal the imposition of withholding on certain payments  
made to vendors by government entities.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. REPEAL OF IMPOSITION OF WITHHOLDING ON**  
4 **CERTAIN PAYMENTS MADE TO VENDORS BY**  
5 **GOVERNMENT ENTITIES.**

6 The amendment made by section 511 of the Tax In-  
7 crease Prevention and Reconciliation Act of 2005 is here-  
8 by repealed and the Internal Revenue Code of 1986 shall  
9 be applied as if such amendment had never been enacted.