

Repeal 3% Withholding Mandate

The *Tax Reconciliation Act of 2005*, which was signed into law in May 2006 (P. L. 109-222), requires a tax withholding at a rate of 3 percent on all government payments for products and services made by the federal government, state governments, and local governments. In general, vendors that receive a payment that is \$10,000 or more from federal or state agencies will have 3 percent of that payment withheld. This withholding requirement impacts payments under government contracts as well as Medicare payments. The effective date of January 1, 2012, reflects the one year delay set forth in the *American Recovery & Reinvestment Act of 2009* (ARRA) (P. L. 111-5).

The American Health Care Association/National Center for Assisted Living (AHCA/NCAL) is deeply concerned about the impact that this requirement will have on facilities receiving government funds in exchange for their services. While the 3 percent withholding may represent a means for finding tax delinquents, it hurts honest, taxpaying businesses, which are required to provide the federal government what amounts to an interest-free loan in the form of this 3 percent withholding.

AHCA/NCAL urges Congress to reconsider the impact of this law and the unintended consequences that such a mandate will have on those who provide services to our nation's most vulnerable citizens. We have long advocated for the repeal of this withholding provision and strongly urge lawmakers to support the repeal of the mandate by seeking the introduction of repeal legislation.

Unless this 3 percent withholding mandate is repealed before the January 1, 2012 effective date, nursing facilities, assisted living residences, and others will lose access to vital funds, which are crucial in managing the daily activities and day-to-day operations – including vendor services – that are necessary to ensure America's seniors and people with disabilities receive the quality long term and post-acute care that they need and deserve.

Ask Congress...

To support the repeal of the 3% withholding requirement in the Tax Reconciliation Act of 2005 in order to preserve vital funding for long term care.

Key Facts

- Passage of the ARRA delayed implementation of the 3% withholding requirement by one year.
- On January 1, 2012, federal, state & local governments will begin to withhold 3% of Medicare, Medicaid, and other payments to federal contractors, which are made in exchange for goods & services.
- AHCA/NCAL is one of more than 100 members of the Government Withholding Relief Coalition (GWRC) advocating for the repeal of the 3% tax withholding mandate. Visit GWRC at www.withholdingrelief.org.

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