

Government Finance Officers Association (GFOA)
International City/County Management Association (ICMA)
National Association of Counties (NACo)
National Association of County Treasurers and Finance Officers (NACTFO)
National Association of State Auditors, Comptrollers and Treasurers (NASACT)
National Association of State Budget Officers (NASBO)
National Association of State Retirement Administrators (NASRA)
National Council on Teacher Retirement (NCTR)
National League of Cities (NLC)
United States Conference of Mayors (USCM)

March 20, 2007

The Honorable Larry Craig
United States Senate
Washington, D.C. 20510

Dear Senator Craig:

On behalf of the organizations listed above representing state and local governments nationwide, we are writing in support of S. 777. This important bill would repeal section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222) which requires federal, state, and local governments to withhold three percent from payments for goods and services.

Section 511 imposes a massive unfunded mandate on state and local governments and will cause significant administrative and other financial burdens since our members will have to retool their accounts payable systems to implement the new law. Additional cost will also be borne by state and local governments due to the fact that the costs for doing business with state and local governments will increase, and the private sector companies will pass those costs along.

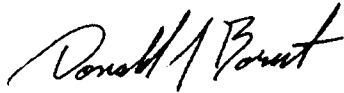
This new withholding requirement is not merely a new mechanism for facilitating tax deposits. It shifts the burden of collection from the federal government to state and local governments at cost significant enough to violate the Unfunded Mandates Reform Act. While we support efforts to close the tax gap, we do not believe imposing costly withholding on state and local governments addresses non-compliance by federal contractors. We applaud your efforts to repeal this costly provision and look forward to working with you to rescind this unfunded mandate on state and local governments. Should you have any questions or would like additional information please contact our Washington representatives:

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Brian Sigritz, NASBO, 202-624-8439
Jeannine Markoe Raymond, NASRA, 202-624-1417

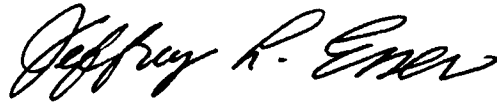
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Leigh Snell, NCTR, 202-684-5236
Carolyn Coleman, NLC, 202-626-3023
Larry Jones, USCM, 202 861-6709

Sincerely,



Donald Borut, Executive Director
NLC



Jeffery L. Esser, Executive Director
GFOA



Glenda Chambers, Executive Director
NASRA



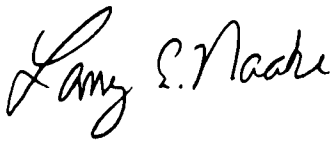
Thomas Cochran, Executive Director
USCM



Barbara Ford-Coates, President
NACTFO



James J. Mosman, Executive Director
NCTR



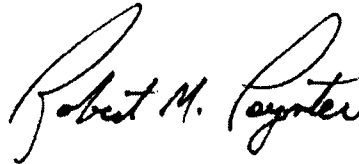
Larry E. Naake, Executive Director
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