On behalf of the National Association of College and University Business Officers and the higher education associations listed below, we would like to thank Chairman Mulvaney and the Subcommittee on Contracting and Workforce for bringing attention to the serious concerns surrounding the withholding requirement mandated by Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (PL 109-222).

We believe compliance with this law will impose significant, unnecessary financial burdens on public institutions of higher education. The requirement will have a disparate impact on state colleges and universities, and some of the larger community colleges, at a time when state support of public colleges and universities continues to deteriorate. While delays in implementation have been welcome, we continue to support full repeal of section 511.

**Enactment Without Analysis and Review.** Section 511 was an eleventh-hour addition to an omnibus tax bill following passage of previous versions by the House and Senate that did not include the provision. The far-reaching mandate was not the subject of any hearings, votes, or discussions with any affected entities or their national associations. This sweeping requirement impacting federal, state, and local governments and their instrumentalities was enacted in the absence of any analysis, examination, and discussion with stakeholders.

**Unreasonable Burden.** Rather than identifying and focusing on the noncompliant contractors that the provision aims to bring into compliance, the blanket approach of Section 511 needlessly adds implementation costs to all governmental purchases of goods and services (as well as tax-compliant private companies). The extra costs of implementation will undoubtedly exceed the revenues the Joint Committee on Taxation estimated would be raised by section 511.

**Impact on Higher Education.** Congress appears to have imposed the new requirement on all public entities, without any consideration of the disparate impact it would have on state colleges and universities and some of the larger community colleges. Section 511 will only serve to exacerbate the financial strains public institutions of higher education are currently experiencing.

**Marketplace Impact.** The administrative and cost burden of compliance with section 511 will only affect public institutions, and not their private counterparts, creating an uneven playing field in the higher education marketplace. Private companies selling goods and services to public colleges and universities will undoubtedly raise their prices in response to the implementation of section 511. It is anticipated that the cost for private companies of compliance with the new withholding requirement will be substantial.
Public institutions and community colleges could face a shrinking choice of suppliers as vendors decide to limit or eliminate the governmental segment of their market if the cost outweighs the benefits of doing so.

The undersigned organizations feel that for these reasons Section 511 should be fully repealed.

National Association of College and University Business Officers
American Council on Education
American Association of Community Colleges
American Association of State Colleges and Universities
Association of American Universities
Association of Public and Land Grant Universities