

KRISTINE L. YOUNG, President
JOSEPH H. JARBOE, Senior Vice President
PAUL W. DIEDERICH, Vice President
HOWARD T. PEBLEY, Jr., Treasurer
STEPHEN E. SANDHERR, Chief Executive Officer
DAVID R. LUKENS, Chief Operating Officer

AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
Quality People. Quality Projects.



December 19, 2011

The Honorable Dave Camp
U.S. House of Representatives
Washington, DC 20515

Dear Representative Camp:

Re: Oppose the two-month payroll tax holiday provision in H.R. 3630

Please oppose the two-month payroll tax holiday provision in H.R. 3630. This legislation will extend the payroll tax holiday in the most complex way possible, at the busiest time possible, provide little benefit to taxpayers and unfairly hit the small member companies of the Associated General Contractors of America (AGC) the hardest. This legislation will add more uncertainty, more confusion (for employers and employees), more complexity (especially for small employers) and provide a maximum tax reduction of only \$367. Any economic benefit derived from the law would likely be eaten up by the inefficiency and confusion surrounding the bill's implementation.

There are more than five million people employed in the construction industry. Members of the AGC tend to be small businesses. Many of them prepare their own payroll using programs that will need to be modified by the software vendors and then updated software must be installed on the contractors systems to ensure proper withholding is taken. If they are lucky enough to have a payroll company that handles their payroll processing, then the payroll companies will have to modify their programs to account for the new changes. Construction companies and payroll companies are not idle this time of year. They are doing year-end financials and producing the W-2 forms that construction employees rely on to file their tax returns. If companies are not lucky enough, big enough or profitable enough to have a payroll company, they will be forced to manually modify payroll for all employees, check their work and remit the appropriate amount to the IRS, which can impose hefty penalties for errors in withholding. Again, this is during the holidays, while finalizing their financials and preparing W-2s for their employees.

The IRS will have to issue guidance on this change. That guidance will lead to delays in implementing the law and could add additional complexity above and beyond what is in the statute. The taxable wage limit of \$18,350 and a two-month payroll tax holiday appears needlessly arbitrary. It will complicate coordination of the IRS Form 941 that employers have to file quarterly and will likely require that it be redesigned in the first quarter of the year.

Congress had a full year to reach agreement on whether to extend the payroll tax holiday. Congress seems to be ready to extend the holiday for a full year. The two-month extension is an arbitrary and complicated, half-baked, solution to the problem of Congress not getting its act together in a timely fashion. If everyone agrees that the economy needs rational and decisive decision-making to revive it, why would you deliver just the opposite in H.R. 3630? Please oppose the two-month payroll tax holiday. Give employers and employees the certainty they need to make sound personal and business decisions for the entire year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeffrey D. Shoaf', is written over a horizontal line.

Jeffrey D. Shoaf
Senior Executive Director
Government Affairs