



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

October 17, 2011

H.R. 674
**A bill to Amend the Internal Revenue Code of 1986 to Repeal the
 Imposition of 3 Percent Withholding on Certain Payments Made to
 Vendors by Government Entities**
As ordered reported by the House Committee on Ways and Means on October 13, 2011

H.R. 674 would repeal a requirement scheduled to take effect under current law that government entities withhold and deposit with the Internal Revenue Service 3 percent of certain payments made to vendors, as a credit against the vendor’s income tax. The staff of the Joint Committee on Taxation (JCT) estimates that enacting the legislation would reduce revenues and thus increase federal deficits by \$11.2 billion over the 2012-2021 period.

Under current law, federal, state, and local government entities will be required to withhold 3 percent of payments to vendors made in exchange for properties or services, beginning on January 1, 2013. The requirement will apply only if a government entity spends \$100 million or more on all such payments to vendors annually. Payments made on contracts in effect on December 31, 2012, will not immediately be subject to the requirements. Repealing this requirement would reduce revenues by an estimated \$11.2 billion over the 2012-2021 period, as shown in the following table. Because enacting H.R. 674 would affect revenues, pay-as-you-go procedures apply. (All effects are on-budget.)

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
Estimated Revenues	0	-6,065	-546	-576	-600	-627	-653	-681	-709	-738	-7,786	-11,194

Source: Staff of the Joint Committee on Taxation.

Notes: Components may not sum to totals because of rounding.

Enacting H.R. 674 would not affect direct spending. Implementing the bill, however, would have an impact on spending subject to appropriation. That discretionary impact would be a reduction in estimated authorizations for future appropriations, but CBO has not yet completed the estimate of such discretionary savings

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Kalyani Parthasarathy. The estimate was approved by Frank Sammartino.