



News From:

COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO PRAISES U.S. HOUSE FOR VOTE TO REPEAL LAW THAT REDUCES PAYMENTS TO NEARLY 3,000 CT VENDORS

Comptroller Kevin Lembo today praised the U.S. House of Representatives for overwhelmingly voting to repeal a provision of federal law that would harm thousands of companies that do business with the state.

Throughout the year Lembo has strongly advocated repeal of this law because it would force the state to divert to the federal government a portion of its payments to thousands of companies that do business with Connecticut. All of Connecticut's House delegation voted in support of repeal.

"This overwhelming vote for repeal is great news – and will hopefully be followed by prompt agreement by the Senate," Lembo said. "Unless the full Congress acts, this measure will interrupt cash flow to struggling businesses, chill competition for government contracts, and force states and certain municipalities to invest millions to implement this withholding measure."

The "Tax Increase Prevention and Reconciliation Act of 2005" will require Connecticut and certain municipalities to withhold 3 percent on payments to vendors for property and services in an effort to combat underpayment of taxes by some government vendors – but the provision ultimately harms all businesses in the process. While the measure has been delayed, Congress has neglected to repeal it entirely.

If implemented last year, the law would have forced the state to withhold \$170 million from businesses – whether or not they were liable for the money. That money could otherwise be reinvested by companies in jobs and other economic benefits.

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