



**News From:**

## **COMPTROLLER KEVIN LEMBO**

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**FOR IMMEDIATE RELEASE**

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### ***COMPTROLLER LEMBO, MAYORS AND BUSINESSES COMMEND REPEAL OF LAW THAT WOULD COMPROMISE FULL PAYMENTS TO THOUSANDS OF BUSINESSES***

Comptroller Kevin Lembo today, along with Connecticut businesses and mayors, praised Congress for fully repealing a provision of federal law that would have forced the state and certain municipalities to reduce payments to companies that do business with Connecticut.

If implemented during 2010, the law would have forced the state to withhold \$170 million from businesses – money that could otherwise be reinvested by companies in jobs and other economic benefits, Lembo said.

Both the U.S. House of Representatives and Senate – including all of Connecticut's delegation – supported repeal, and President Obama has indicated he will sign the bill into law.

Lembo has strongly opposed the measure and earlier this year advocated repeal alongside several Connecticut businesses and municipalities that would have been harmed by this measure.

The "Tax Increase Prevention and Reconciliation Act of 2005" would have required 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 would have harmed all businesses in the process.

"This repeal is a critical victory for Connecticut businesses – eliminating a law that would have forced me to deprive full payments to thousands of companies that do business with the state," Lembo said. "Businesses deserve full and prompt payments for the products and services they provide us. I commend our congressional delegation for eliminating a law that would have jeopardized jobs and cash flow for thousands of businesses

at the worst possible economic time. I also thank our Chambers of Commerce, business owners and others who worked jointly to advocate for this repeal.”

Lori Johnson, president of a Connecticut company, commVerge Marketing of Milford, has closely followed the repeal process and said this move is vital to her business and others.

“This repeal is the smart thing to do, and it’s the right thing to do,” Johnson said. “There are so many obstacles for Connecticut businesses in this economy, so it’s refreshing to see action behind words.”

Lembo said the law would have also burdened state and local taxpayers because implementing the withholding procedures would require significant funding, resources and logistics. It would have forced states and certain municipalities to hire additional staff, purchase new software and/or modify accounting systems.

Hartford Mayor Pedro E. Segarra said, “Finally we have seen important, common-sense action in Washington. In this economy the pressures on business are immense; this step forward is about preserving jobs and supporting the driver of the economy: small business. It is even more critical for a community like Hartford with our high concentration of minority-owned businesses. I want to thank Comptroller Lembo for his leadership on this issue and for recognizing the oppressive impact that a provision like this would have on our local, regional and state economies.”

Bridgeport Mayor Bill Finch said, “A major setback to our small business community was prevented thanks to the repeal of this provision. During the last four years, we’ve seen major growth and success in our small and minority-owned businesses. With the repealing of this provision, small businesses can continue moving forward and creating jobs and opportunities for our residents. Thank you to our leadership in Washington for doing the right thing and most importantly, thank you to Comptroller Kevin Lembo for taking such an active role on this issue.”

Congressman Jim Himes (CT-4), who cosponsored the legislation, issued the following statement:

“At a time when businesses and local governments are struggling to make ends meet, restricting their cash flow just doesn’t make sense,” said Himes. “This legislation eliminates an unfair provision that made it harder for small businesses to sell their services to governments and will help our veterans find work when they return home and enter the civilian workforce.”

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