



News From:

COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO URGES CONGRESS TO REPEAL LAW THAT REDUCES PAYMENTS TO NEARLY 3,000 CT VENDORS

Comptroller Kevin Lembo today urged Congress to repeal a provision of federal law that will force the state to divert to the federal government a portion of its payments to thousands of companies that do business with Connecticut.

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

Over the past several months, Lembo has spoken before CCM (Connecticut Conference of Municipalities), Chambers and Council of Governments to advocate repeal, and directly contacted the Connecticut congressional delegation, most of who have since agreed to support repeal.

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.

"Unless 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," Lembo said.

"The law will essentially deputize me an IRS agent. Rather than pay companies in full for the vital products and services they provide us, I will be forced to withhold 3 percent of payments to most state vendors and immediately turn the money over to the federal government."

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.

The measure generally has bi-partisan support, including by President Obama – but has alternately been held hostage by both political parties.

The Republican-led Congress supports repeal, and plans to raise the measure this week -- but is using its support to fight for limits on the number of people who qualify for Medicaid, claiming it's needed to make up for lost revenue.

“This measure is not about generating or losing revenue – it’s about the mechanism for withholding revenue,” Lembo said. “Delaying payments to Connecticut vendors is simply more harmful than helpful, and should be repealed once and for all.”

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