

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Governmental Oversight and Accountability Committee

BILL: CS/SM 1598

INTRODUCER: Governmental Oversight and Accountability Committee and Senator Siplin

SUBJECT: Tax Increase Prevention and Reconciliation Act

DATE: April 14, 2011                      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Naf	Roberts	GO	Fav/CS
2.			CA	
3.				
4.				
5.				
6.				

**Please see Section VIII. for Additional Information:**

- |                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

This Senate Memorial urges the U.S. Congress to repeal Section 511 of the Tax Increase Prevention and Reconciliation Act, which requires governments that have annual budgets in excess of \$100 million to withhold a 3 percent federal tax on payments made for most goods and services.

**II. Present Situation:**

The Tax Increase Prevention and Reconciliation Act of 2005<sup>1</sup> was enacted on May 17, 2006. This act prevented several tax provisions from sunseting. It also required all government entities to withhold a federal income tax of 3 percent on payments made after December 31, 2010, for most government payments for products and services made by the federal, state, and local governments with total expenditures of \$100 million or more annually. There is no minimum transaction amount, and each qualifying governmental entity would have to issue a 1099 or similar documentation at the end of every year to each vendor.

<sup>1</sup> Pub. Law 109-222, 120 Stat. 345.

The implementation date of this provision was delayed one year to January 1, 2012, by the American Recovery and Reinvestment Act.<sup>2</sup>

### **III. Effect of Proposed Changes:**

This Senate Memorial urges the U.S. Congress to repeal Section 511 of the Tax Increase Prevention and Reconciliation Act and to support the repeal of this requirement in H.R. 275 and S.R. 292.

This memorial also provides for copies of the memorial to be submitted to the President of the United States, the President of the U.S. Senate, the Speaker of the U.S. House of Representatives, and each member of the Florida delegation to the United States Congress.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

### **V. Fiscal Impact Statement:**

#### **A. Tax/Fee Issues:**

None.

#### **B. Private Sector Impact:**

Section 511 of the Tax Increase Prevention and Reconciliation Act imposes a significant cost burden on vendors, which may result in increased prices for products and services for the qualifying government. Because the requirement applies only to public sector transactions, it also creates a disincentive for many vendors to do businesses with cities, counties, school boards, and the state.

#### **C. Government Sector Impact:**

See discussion in "Private Sector Impact" above.

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<sup>2</sup> Pub. Law 111-5, 123 Stat. 115, was signed into law on February 17, 2009.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Governmental Oversight and Accountability on April 14, 2011:**

The committee substitute replaced “H.R. 275” and “S.R. 292,” which were bills filed in last year’s federal Congressional session, with current bill numbers.

- B. **Amendments:**

None.