

Commercial Solutions – Flash Report

March 16, 2009

To: **Commercial Issuers** – Commercial Product Managers, Public Sector Product & Sales, GSA Personnel and Government Relations Staff

Topic: **Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222)**

Overview:

The Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA) was enacted into law on May 17, 2006. Section 511 of the legislation mandates most federal, state, and local governments to withhold 3-percent from payments for goods and services. This new withholding requirement affects all government payments, including payments made by purchase and travel cards used in the public sector. As a result of efforts by our Government Relations Team and other affected parties, Congress has passed legislation that delays the implementation for withholding until Jan1, 2012. In addition, IRS implementation rules would set a payment threshold of \$10,000 (individual payments less than \$10,000 would not be subjected to withholding).

Impacts:

As a result of the legislation and the inability of the public sector to withhold amounts from payments made with commercial cards, it is very likely that the public sector will no longer use cards for payments meeting the withhold threshold. An analysis of the Federal Government's SmartPay program revealed almost 200,000 transactions valued over \$7 billion were made during calendar year 2007. The impact to State, University and local programs is not known.

Call to Action:

IRS has scheduled a hearing on their proposed rules on April 16, 2009. Those wishing to present oral comments must submit an outline of the topics to be discussed by March 25. The public hearing is being held in the auditorium, Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC. Send submissions to: CC: PA: LPD: PR (REG-158747-06), room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC: PA: LPD: PR (REG-158747-06), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Alternatively, taxpayers may submit electronic outlines of oral comments via the Federal eRulemaking Portal at <http://www.regulations.gov>.

Questions:

If you have questions or need additional information, please contact your Visa Account Executive or Bruce E. Sullivan, Specialized Sales-Public Sector at brsullivan@visa.com