

BUDGET LETTER

	NUMBER: 11-33
SUBJECT: REPEAL OF 3-PERCENT FEDERAL WITHHOLDING REQUIREMENTS	DATE ISSUED: December 12, 2011
REFERENCES: H.R. 674, THREE PERCENT WITHHOLDING REPEAL AND JOB CREATION ACT; INTERNAL REVENUE CODE SECTION 3402	SUPERSEDES: 11-12

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) serves to notify state departments that the 3-percent federal withholding requirements under Internal Revenue Code (IRC) section 3402(t) have been repealed by the passage of H.R. 674, Three Percent Withholding Repeal and Job Creation Act, on November 21, 2011. IRC section 3402(t) would have required governmental entities to withhold 3 percent from certain payments for property or services, remit the withheld amounts to the Internal Revenue Service (IRS), and report the payments and withholdings to the IRS and to the payees. Therefore, departments no longer need to prepare for this requirement.

If you have questions regarding this BL, please contact the Fiscal Systems and Consulting Unit at (916) 324-0385 or by e-mail at FSCUHotline@dof.ca.gov.

/s/ Veronica Chung-Ng

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