



LOCAL CPA RICHARD SHAVELL CONTRIBUTES COMMENTS TO NATIONAL IRS RULING ON BEHALF OF ASSOCIATED BUILDERS & CONTRACTORS

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BOCA RATON, FL -- **Richard R. Shavell, CPA, CCIFP**, president of Shavell & Company, P.A., Certified Public Accountants and Consultants, headquartered in Boca Raton, recently co-authored and submitted comments to the Department of the Treasury and the Internal Revenue Service to argue against a proposed 3% Withholding Tax regulation and how IRS intends to implement the new law that requires “Federal, State and local government entities to withhold income tax when making payments to persons providing property or services.” The law, under Internal Revenue Code (IRC) Section 3402(t), was passed in 2006 and will take effect for payments made by governments after December 31, 2011.

Shavell, an advocate for the construction industry and immediate past chair of the Associated Builders & Contractors’ (ABC’s) national Tax Advisory Group (TAG), first authored written testimony in opposition to the law for ABC that was previously presented to the House Committee on Small Business in Washington in March 2007, then led members of ABC’s TAG through a series of appointments with Washington congressional offices in June 2007 and June 2008 to discuss repealing the law prior to its effective date. As part of the recent Stimulus Bill, the law’s effective date was delayed one year. The IRS and Department of the Treasury are continuing to proceed toward implementation, thus inspiring ABC to submit additional comments intended to protect the construction industry.

According to Shavell, “Should IRC 3402(t) be implemented, there will be a dramatic negative effect on the economic viability of contractors working for the United States government, state

governments, local governments and their agencies.” The comments, co-authored by Rich Shavell and **Robert A. Hirsch**, Director of Legal and Regulatory Affairs of ABC, state that ABC’s intent is to “...assist IRS and Treasury to implement Section 3402(t) in a practical way that will achieve the objective of Congress while at the same time minimize the significant adverse economic consequences that could otherwise occur for all involved.”

In the comments, ABC requested that a hearing be held regarding these proposed regulations and that ABC have the opportunity to testify before the IRS and Department of the Treasury “...to express concerns and provide recommendations.”

The 3% Provision and its Effects

The 3% Withholding Tax law was passed in 2006 as part of an attempt to address the so-called “tax gap.” The law requires federal, state and many local governments to withhold three percent of money from a variety of for-profit businesses - including contractors, providers of goods and services, Medicare providers and even recipients of farm disaster assistance. According to Shavell, the ruling could cause small businesses to go out of business at a time when the government is increasing expenditures in hopes of expanding businesses, including small businesses.

ABC comments regarding the provision presented in March 5, 2009, submitted:

- *These withholdings on payments will dramatically impact the cash flow of the construction industry and increase the cost of construction for governmental projects;*
- *Secondly, costly over-regulation will be the result of this new law – and these increases in the end will be borne by taxpayers; and*
- *Thirdly, there are alternatives to the required withholding that can be implemented in lieu of the withholding requirements under IRC 3402(t).*

About Richard R. Shavell, CPA, CCIIFP

Over the last 18 years, Shavell has testified before Congress including the House Education and Labor Subcommittee on Workforce Protections (2007), House Ways and Means Committee (1991 & 1995), Senate Finance Committee (1991), the House Committee on Small Business (1998) and before the IRS on proposed regulations (1990, 2006, & 2008). The IRS has

called upon Mr. Shavell to review training materials, present seminars for IRS auditors focused on the construction industry, and to facilitate IRS outreach programs with industry. Mr. Shavell is the 2005, 2006, 2007 and 2008 winner of the *South Florida Business Journal* award for accountants in construction, real estate, and tax categories.

Shavell is immediate past national chairman of the Tax Advisory Group (TAG) of Associated Builders and Contractors, Inc. (ABC), and was previously a member of ABC's National Tax Committee from 1990-1996, and served as its chairman in 1997 and 1998. He is also is treasurer of the Association of Professional Estimators (ASPE) Local Chapter 49.

Shavell & Company, P.A. is a full service certified public accounting and consulting firm with offices in Boca Raton, FL. Since January 2002, Shavell & Company, P.A. has offered a full array of tax and accounting services for small and medium-sized businesses.

For the real estate and construction industries, Shavell & Company helps clients with bonding maximization, cash flow analysis and planning, job costing, management and operational reviews, Section 1031 structuring, due diligence, project feasibility analysis and cost segregation studies.

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Supporting documentation regarding Section 3042(t) is available, including Mr. Shavell's co-authored comments. Please email ddiamantis@comcast.net to request.

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