

But now the situation is much worse. Our military operations have started, and the number dependent on food aid has grown rapidly while international food distribution has actually fallen to almost nothing. The BBC reports today that UNICEF believes that the number of Afghans in need has now grown to 5.5 million people, of which an estimated 70 percent are women and children.

Mr. Speaker, that staggering number of people, 5.5 million, easily exceeds if not even doubles the population of some of the largest cities in our own country. Can we imagine how horrified we would be, and how we would, as a nation, react if the entire population of cities such as Dallas or San Diego or San Francisco or Detroit were starving to death?

Mr. Speaker, that is the scale of the humanitarian catastrophe now confronting Afghanistan. These 5.5 million people desperately require about 2,750 tons of food aid each day, based on World Food Program estimates of 500 tons per million people per day. And this says nothing about the medical needs of these people.

Clearly, our two airdrops of 37,000 ration packages, though well-intentioned and bravely carried out by U.S. Air Force air crews, are not nearly enough to prevent a humanitarian disaster. Maybe, as alleged by *Medecin Sans Frontieres*, it does help soothe our collective conscience, but it does little more.

The Heritage Foundation has called Afghanistan the worst U.S. foreign policy failure of all time, and I have visited the Afghan refugees in their camp.

In addition, Mr. Speaker, the U.S. Government should be promoting democracy in Afghanistan. Bobby Kennedy had the following to say: "Can we ordain ourselves the awful majesty of God, to decide what cities and villages are to be destroyed; who will live and who will die; who will join refugees wandering in the desert of our own creation?"

Although Bobby Kennedy was referring to our involvement in Vietnam, his words apply to our involvement in Afghanistan. The United States and the world community must do more for the people of Afghanistan. Mr. Speaker, the clock is ticking for 5.5 million innocent people.

#### THE BRIDGE ACT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from South Carolina (Mr. DEMINT) is recognized for 5 minutes.

Mr. DEMINT. Mr. Speaker, today the gentleman from Washington (Mr. BAIRD) and I are introducing the BRIDGE Act of 2001. BRIDGE is short for Business-Retained Income During Growth and Expansion. This is bill number H.R. 3062.

I am introducing the bill on behalf of myself, the gentleman from Wash-

ington (Mr. BAIRD), the gentleman from Illinois (Mr. CRANE), the gentleman from California (Mr. MATSUI), the gentleman from Illinois (Mr. MANZULLO), the gentlewoman from New York (Ms. VELÁZQUEZ), the gentleman from Pennsylvania (Mr. TOOMEY), the gentleman from New Jersey (Mr. PASCRELL), the gentleman from Kentucky (Mr. LEWIS) and the gentlewoman from Pennsylvania (Ms. HART). We are confident many other Members will join us in cosponsoring this very timely and bipartisan bill.

This bill is the result of extensive discussions with Members, staff, and business trade groups, hearings before the Committee on Small Business, as well as the vital input of Tatum CFO Partners, a national financial services firm.

I appreciate the work of the gentleman from Illinois (Chairman MANZULLO) and the gentleman from Pennsylvania (Chairman TOOMEY) in scheduling the hearings on access to capital for small and growing businesses, and their support of the bill, as well as the support of the ranking member of the Committee on Small Business, the gentlewoman from New York (Ms. VELÁZQUEZ), and other members of the Committee on Small Business, as well as members of the Committee on Ways and Means, who have joined us as original sponsors of this bill.

Based on extensive experience in providing chief financial officers for emerging growth companies, Tatum CFO has helped bring awareness to the problems small businesses and medium-sized businesses face during high-growth periods, and they have been instrumental in helping to design this legislative solution.

Currently, a number of business trade groups are supporting the BRIDGE Act, including the Council of Growing Companies, the National Association of Small Business Investment Companies, Small Business Survival Committee, and Small Business Legislative Council.

These groups represent thousands of small and emerging growth businesses.

The BRIDGE Act is designed to address two significant financial problems for fast-growing entrepreneurial businesses. First, fast-growing companies quickly outstrip capital financing based on the entrepreneur's personal credit, and they soon face what is called a capital funding gap, when their business financing needs grow between \$250,000 and \$1 million.

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This bill bridges that gap until a company reaches 10 million in sales, a size that is significant enough to readily attract external financing at an affordable rate.

Second, fast-growing companies on accrual accounting may be profitable for tax purposes but face an increasing

negative cash flow as the company expends its cash to keep up with growth. The faster the rate of sales growth, the more the company faces a negative cash flow under accrual accounting.

Most importantly, the Bridge Act would benefit the vital entrepreneurial segment of our economy which has provided most of the net new jobs in this country over the last decade as well as during the current economy as much larger firms downsize.

The Bridge Act would allow a firm growing by 10 percent or more and with sales of 10 million or less to defer, not deduct, up to \$250,000 in Federal income tax liability for 2 years and to pay the deferred tax over the following 4-year period. Interest would be paid to the government at the Federal underpayment rate during the entire deferral period. The tax-deferred amount would be deposited in a trust account at a bank and/or other financial institution and could be used as collateral for business loans. The Bridge Act would sunset after 2005 to allow a review by Congress and a study by the General Accounting Office.

In summary, the Bridge Act would allow growing entrepreneurial businesses to retain a portion of their Federal income tax liability for a limited period, payable with interest during a critical time when outside financing is extremely difficult and costly to obtain. The bill would provide additional needed capital to be reinvested in the firm's continued growth. This added capital source would help to create a potential of up to 641,000 new jobs during the first 3 years thus helping to reinvigorate our economy.

I have attached to this statement a table showing how the new job projections are derived as well as the estimated revenue effect of the bill. The joint tax committee staff estimates that the bill with the 2005 sunset would result in a temporary revenue loss during the first 4 years, followed by a revenue pick-up during the next 6 years for a net revenue gain of over a billion dollars for the 10-year period.

Mr. Speaker, the Bridge Act is a bipartisan proposal that would have a significant economic job tax revenue multiplier effect which is needed in the current economic situation. The bill is very timely and needs to be passed this year in order to have the most impact on the down economy and the capital markets.

In my statement, I am including a summary explanation of the Bridge Act and the economic reasons for the bill as well as the table showing the projected new jobs and estimated revenue effect.

#### SUMMARY AND REASONS FOR THE BRIDGE ACT

Bridge Act Summary: The Bridge Act would allow a deferral of up to \$250,000 in Federal income tax for two years, with payment over a 4-year installment period, and with interest paid on the deferral at the Federal rate. Businesses that grow at least 10%

in gross receipts above the prior 2-year average would be eligible if they are on accrual accounting for tax purposes and have \$10 million or less in gross receipts. The deferred amounts would be placed in a trust account at a bank or other qualified intermediary, for use as collateral for a business loan. The deferral would sunset after 2005, with a GAO study (in consultation with the Treasury and the IRS).

**Capital Needs of Growing Entrepreneurial Businesses:** The Bridge Act would provide an efficient source of critically needed capital funding for entrepreneurial businesses to keep investing and growing. Capital funding in the range of \$250,000 to about \$1,000,000 is very difficult and costly to obtain for growing businesses. Limited capital availability limits the ability of the business to keep expanding sales and employment. A rapidly growing company can grow itself out of cash, unless it can obtain outside financing. The temporary tax deferral would allow the entrepreneur to utilize the funds in the business until it can grow large enough to obtain financing from more traditional sources.

**Employment and Economic Growth:** By providing needed capital to keep expanding

the business, the Bridge Act would assist the entrepreneurial sector (the “emerging growth companies”) that has created most of the net new jobs in the U.S. economy in the past decade. A Cognetics, Inc. study, Who’s Creating Jobs? 1999 (David Birch, Jan Gundersen, Anne Haggerty, William Parson), indicates that 85% of the new jobs for 1994–1998 were created by companies with 100 or fewer employees. There are indications that these rapidly growing companies are the only ones that are generating net new job growth in the current economic situation. The bill would help to reinvigorate the economy by offsetting employment cutbacks elsewhere in the economy. The Bridge Act would provide critically needed capital for these companies, which could help create over 600,000 new jobs during the first three years, based on sample data from financial statements of profitable firms with \$10 million in sales or less (database sample provided by Dr. Michael Camp, Economist and Vice President of Research, the Kauffman Center for Entrepreneurial Leadership, Kansas City, MO) (see attached Table).

A recent study by the National Commission on Entrepreneurship (High-Growth

Companies: Mapping America’s Landscape, July 2001) reports that rapidly growing companies (15% or more growth per year in their Census survey for 1992–1997) are in all industry sectors and in all Labor Market Areas in every State in the United States. For State data, see web at: www.ncoe.org/lma

**Timing of Income Tax Liability for Growing Small Businesses:** Because of the microeconomics of rapid growth, an expanding business on accrual accounting that is experiencing increased revenues and book (accrued) profits can also be simultaneously experiencing negative cash flow due to reinvestment of the cash to fund the growth. When a growing business, with negative cash flow, has to come up with immediate cash to pay an accrued tax liability, this can have a severe adverse financial effect on the firm’s ability to survive until it receives more cash inflow. The bill would allow the realignment of the timing of the tax payment until the entity can more readily obtain the necessary capital to pay the tax, which would be payable in installments over four years after a 2-year deferral (all with interest).

PROJECTED NEW JOBS UNDER THE BRIDGE ACT TAX DEFERRAL FOR GROWING ENTREPRENEURIAL BUSINESSES, FISCAL YEARS 2002–2004

[Data in thousands of dollars, except as noted]—[Based on \$250,000 tax deferral limit and 10% business growth rate]

|  | 2002        | 2003        | 2004 <sup>1</sup> |
|--|-------------|-------------|-------------------|
| (1) Tax revenue effect (Joint Tax estimate) .....  | (2,400,000) | (6,300,000) | (8,200,000)       |
| (2) Assumed average business revenue per \$1 of capital <sup>2</sup> .....                       | \$3.36      | \$3.36      | \$3.36            |
| (3) Projected increase in business revenue under Bridge .....                                    | 8,064,000   | 21,168,000  | 27,552,000        |
| (4) Assumed business revenue per full-time employee <sup>2</sup> .....                           | 88.515      | 88.515      | 88.515            |
| (5) Projected new jobs from increase in business revenue (not 000s) <sup>3</sup> (rounded) ..... | 91,000      | 239,000     | 311,000           |

<sup>1</sup> Joint Tax revenue estimates of proposal, with Dec. 31, 2005 sunset (\$ billions): -6.0 (2005); +1.4 (2006); +6.9 (2007); +6.9 (2008); +5.2 (2009); +2.9 (2010); +0.8 (2011), for a net total of a positive (+) 1.1 for 2002–2011.  
<sup>2</sup> Average based on a sample database of financial statements of 72,682 profitable firms with revenues of \$10 million or less, as compiled by the Kauffman Center for Entrepreneurial Leadership (Kansas City, MO) (data compilation for the sample coordinated and confirmed by Dr. Michael Camp, Vice President of Research). Original data was collected by Dun & Bradstreet. Neither the Kauffman Center nor Dun & Bradstreet should be considered as endorsing any specific legislative proposal.  
<sup>3</sup> Projected, potential new jobs as a result of the additional capital provided to the firms under the Bridge Act tax deferral, calculated as follows: (1) (2) = 3; (3)/(4) = 5.

ECONOMIC EFFECTS OF THE SEPTEMBER 11 CATASTROPHE

The SPEAKER pro tempore (Mr. SCHROCK). Under a previous order of the House, the gentleman from California (Mr. SHERMAN) is recognized for 5 minutes.

Mr. SHERMAN. Mr. Speaker, let me begin with a commentary on the comments from the gentlewoman from Georgia, who quoted French sources as criticizing as inadequate our relief supplies to the people of Afghanistan.

I agree we should do as much as we can to feed the people of Afghanistan and to get that food to them. And I admire the courage of American pilots who are doing just that, but let us put this into context.

During World War I and World War II, the French did very little to deliver food to the Germans. In fact, it really was not part of our strategy during World War II to drop food onto German cities; and in fact, the French, aspiring for their own freedom, cheered as we bombed Dresden, not with food but with bombs.

America has reached a new level of humaneness in its decision that not only does it wage war against a government, the Taliban, but it also wages food aid to the civilians under the control of that government. And I think that we should first give America credit for reaching this new plateau in humaneness before we criticize the fact

that we are not doing enough, and I am sure that we will do more.

I rise chiefly to deal with the economic effects of the September 11 catastrophe. I urge that what we do be temporary, be fast, and be consistent with our Nation’s long-term budgetary and fiscal needs. Keep in mind, that on September 10, before this disaster, we faced a tough budgetary situation, that next decade the baby boomers will be retiring and Social Security will have to pay out benefits, and in order to do that, we cannot abandon our long-term efforts of fiscal responsibility to deal with the short-term economic downturn.

We need to adopt fixes to stimulate the economy that are fast, like providing \$300 or \$600 of tax relief to those Americans of the most modest means who did not get any tax relief out of the bill we passed earlier this year. Why? Because those Americans will spend that money. They will buy things.

In contrast, we should not provide a capital gains cut because that is a cut not for people who buy stock but for people who sell it. At this point, a capital gains tax cut could only be called the “Panic-Selling Facilitation Act” in that it provides tax relief not to those who can keep their investments in America but those who dump their stocks.

It is important that our relief be temporary so that we can demonstrate

to investors around the world that we will return to fiscal responsibility and pay off the national debt at least by 2015 or 2016. Doing that is not only critical for being able to meet Social Security’s commitments to the baby boomer generation, but also to bring long-term interest rates down because no one will lend money for 10- and 20- and 30-year terms.

Investors will not provide mortgages and long-term financing unless they are certain that long term the dollar will be valuable and will be stable because the Federal Government will return to the effort to pay down the national debt.

Our departure from fiscal responsibility must be temporary. If we institute permanent changes, we will be in trouble.

I might also add that, in building infrastructure, we should build the infrastructure that we need to provide for homeland security. We need to build security structures near our reservoirs and nuclear plants, and that is where we should focus our infrastructure building, as much as I would like to see us focus on the other needs of the country, the needs that existed before this event such as dealing with congestion on freeways in Los Angeles, the most congested city in our country.

We ought to be careful, Mr. Speaker, in adopting the fiscal policies that will guide this country through this difficult period. If we adopt major