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The Early Results of States' Opportunity Zones are Promising, But There's Still Room for Improvement.

Eighteen states have submitted their selections of local neighborhoods that will qualify as "Opportunity Zones" under a new tax incentive created by Congress in last year's tax bill. These selections—and the characteristics of the neighborhoods themselves—will be important determinants of the ultimate success of the program. [As I wrote in February just before the state selections were due](#), poor choices by states could turn a program meant to benefit residents of poor neighborhoods into a tax break for developers investing in already-gentrifying areas. With information in hand from 18 states, I describe the characteristics of neighborhoods that have been selected so far. [\(That information is also available in this file \(.xls\)\)](#) for the remaining 32 states who have yet to select their Opportunity Zones).

Looking at the 18 states that have submitted, the good news is that most states designated deeply impoverished places for the new subsidy, with Georgia and California standing out for allocating most of their picks to their most distressed neighborhoods. Nevertheless, 22 percent of selections were for areas with relatively low poverty rates (below 20 percent) and an additional 19 percent were in already-gentrifying areas (areas with the highest rates of home price appreciation).

Opportunity Zones (hereafter referred to as OZs) offer favorable capital gains treatment for taxpayers who invest in designated low-income neighborhoods. States were given a list of eligible neighborhoods produced according to the law by the Department of Treasury—a broad list that actually includes 57 percent of all neighborhoods in America, not all of which are distressed—and were allowed to select one in four of them to be Opportunity Zones.

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