Bond Case Briefs

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Opportunity Zones.

Included in the Tax Cuts and Jobs Act and passed in December 2017 was a set of provisions to incentivize new investment in low-income communities throughout the United States. Under the law, governors are given the opportunity to nominate qualifying census tracts to receive a new designation, "Opportunity Zones."

Importantly, there is only a short window for governors to nominate Opportunity Zones. They must submit their recommendations to the Department of Treasury by March 21, 2018, or else they must request a 30-day extension. For more information about this process, visit the CDFI Fund Opportunity Zone Resource Page.

Once Opportunity Zones have been designated, individual and corporate investors are then given the opportunity to defer capital gains taxes when they reinvest the earnings in these communities. Additional incentives accrue over five, seven and ten years if the investment is maintained – thereby promoting the kind of patient capital that distressed communities so often lack.

There are currently **trillions of dollars'** worth of unrealized gains in the capital markets. If even a portion of those gains are moved to invest in distressed communities, it could have a transformative impact.

The Economic Innovation Group, a bipartisan public policy and research organization, spearheaded the effort to draft and pass the legislation that authorizes Opportunity Zones.

For the past year, the U.S. Impact Investing Alliance has been engaged with investors, communities and policymakers to understand how the Opportunity Zone program could catalyze private impact capital.

Resources

- **What are Opportunity Zones?** Opportunity Zones are made up of low-income community census tracts (and a small number of adjacent census tracts). Each state's governor may nominate up to 25% of its low-income community tracts to receive the Opportunity Zone designation.
- **Enterprise has developed dynamic state mapping tools to assist governors and stakeholders in this decision-making process.**
- **What are the benefits to investors?** Investors are able to defer capital gains on earnings that are reinvested in "Qualified Opportunity Funds" – special purpose entities that exist to invest in businesses located in Opportunity Zones. Long term investors receive an additional step-up in basis, cancelling out some of their original tax bill (10% after five years and rising to a total 15% increase in basis after seven years). Investments maintained for ten or more years are not subject to any additional capital gains tax on earnings from Opportunity Zone Investments.
- The Economic Innovation Group has prepared a fact sheet **outlining the benefits of Opportunity Zones for investors.**
- **What types of investments will be available?** In general, the statute is written to promote equity investments in new businesses. The U.S. Impact Investing Alliance is currently working with

investors, communities and regulators to understand how investment capital can best be deployed to deliver impact to Opportunity Zone communities. If you would like to be involved, please contact us at info@impinvalliance.org.