

# **Bond Case Briefs**

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## **Opportunity Zones: What We Know and What We Don't.**

### **Key Findings:**

- The Tax Cuts and Jobs Act created the Opportunity Zones program to spur investment in economically distressed census tracts. Opportunity zones reduce capital gains taxes for individuals and businesses who invest in qualified opportunity zones.
- Opportunity zones were estimated to cost \$1.6 billion in revenue from 2018-2027. New regulations stipulate that the program's benefits would continue through 2047, meaning the program's revenue impact could increase over time depending on how many investors utilize the program.
- Research suggests place-based incentive programs redistribute rather than generate new economic activity, subsidize investments that would have occurred anyway, and displace low-income residents by increasing property values and encouraging higher skilled workers to relocate to the area.
- While opportunity zones present certain budgetary and economic costs, it is unclear whether opportunity zone tax preferences used to attract investment will actually benefit distressed communities.

### **Introduction**

The Tax Cuts and Jobs Act (TCJA) created the Opportunity Zones program to increase investment in economically distressed communities. The program provides preferential capital gains treatment for investments within designated low-income census tracts. Policymakers hope opportunity zones will unleash investment in low-income communities throughout the country.[1]

This analysis describes opportunity zone program incentives, reviews both academic and government evidence on the effects of place-based incentive programs, and discusses possible outcomes for opportunity zone residents. Overall, we find opportunity zones will present certain budgetary and economic costs to taxpayers and investors, but based on evidence from other place-based incentive programs, we cannot be certain opportunity zones will generate sustained economic development for distressed communities.

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### **The Tax Foundation**

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