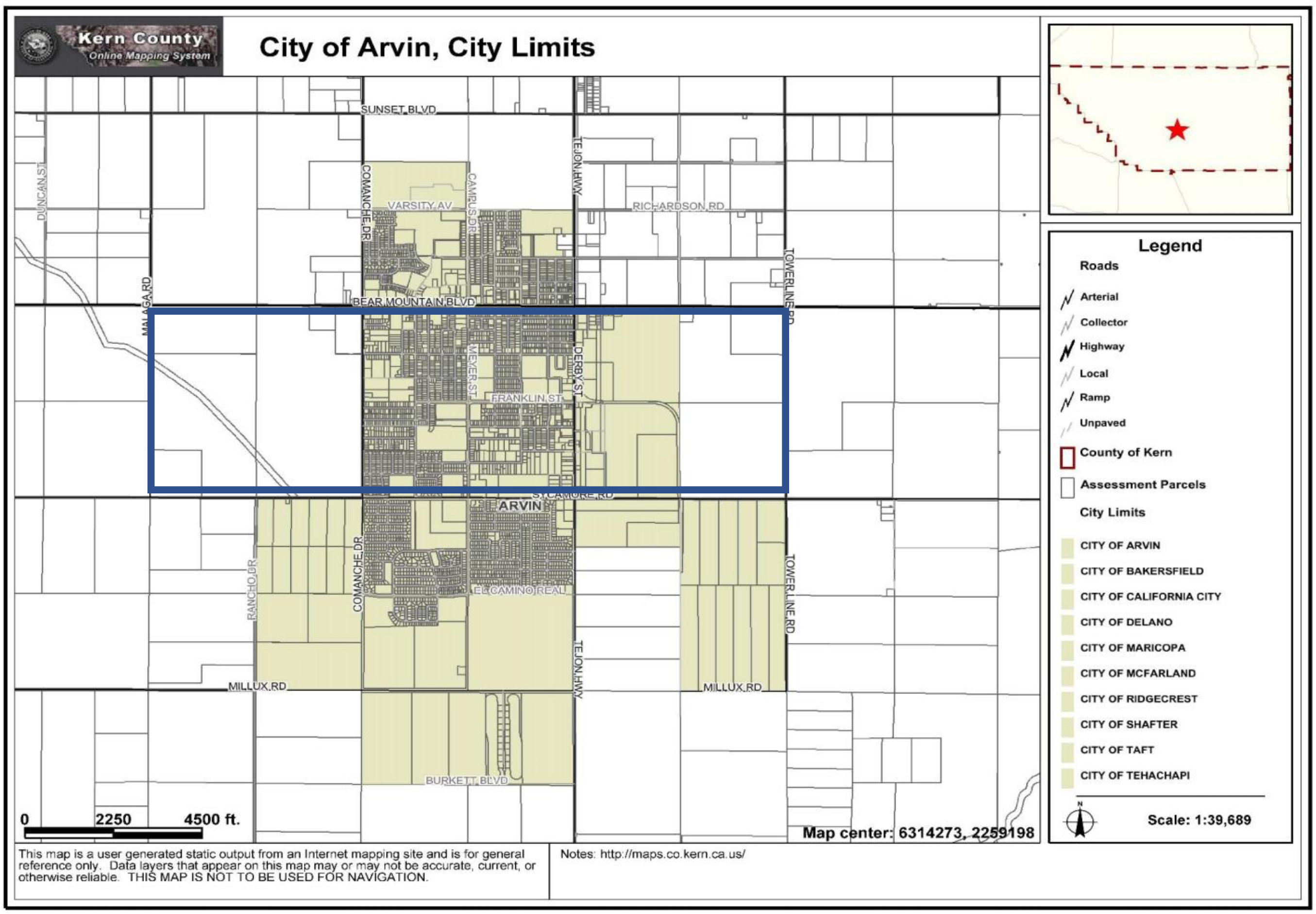
OPPORTUNITY ZONES - CITY OF ARVIN

141 Plumtree Drive, P.O. Box 548
Arvin, California 93203
661-854-2822 Office
661-854-2969 Fax

https://eig.org/opportunityzones - City of Arvin has been given a glowing, if possibly underreported, opportunity. Two census tracts, 63.03 and 63.04 has been specially designated by the federal government, which allows private investors to receive reductions in capital gains taxes.
Opportunity Zone is bounded by Hwy 223 (Bear Mountain Blvd to the north, Sycamore Road to the South, Tower Line Road on the east, and Malaga Road on the West.



OPPORTUNITY ZONES - CITY OF ARVIN
141 Plumtree Drive, P.O. Box 548
Arvin, California 93203
661-854-2822 Office
661-854-2969 Fax

IRS Releases Opportunity Fund Certification Update

4.25.2018

Yesterday, the IRS provided new clarity on the process for obtaining Opportunity Fund certification:

To become a Qualified Opportunity Fund, an eligible taxpayer self certifies. (Thus, no approval or action by the IRS is required.) To self-certify, a taxpayer merely completes a form (which will be released in the summer of 2018) and attaches that form to the taxpayer's federal income tax return for the taxable year. (The return must be filed timely, taking extensions into account.)

City of Arvin has been given a glowing, if possibly underreported, opportunity. Two census tracts, 63.03 and 63.04 , has been specially designated by the federal government, which allows private investors to receive reductions in capital gains taxes.

Geographic inequality is a hot term these days. I've heard it referenced everywhere lately. And it's a real thing, too. Research shows that residential sorting by income has significantly increased over the past 45 years. This sorting has resulted in more Americans living in communities that represent the poles of the income distribution rather than the middle.

The federal Tax Cuts and Jobs Act of 2017 created an economic development tool known as "opportunity zones". The program is designed to encourage long-term investments in low-income areas. The goal is to get capital to these struggling census tracts. The program gives patient investors and developers significant tax incentives in exchange for long-term investment in distressed or low-income areas.

This opportunity zone program has the potential to be the largest community investment program in the country, by tapping into trillions of dollars in capital gains held by private investors to create a new source of economic growth for hundreds of lower-income communities around the country.

This is exactly the type of incentive needed to spur investment in the revitalizing urban core of our own city. When the State of California ended Redevelopment in 2012, our city lost the tax increment financing that enabled investment opportunities for the City of Arvin. Urban revitalization in California now relies solely on the private sector.. The time has come for the federal government to help incentivize private investment in distressed areas throughout the country.

Under the program, investors in opportunity zones (via a fund or direct investment in real estate or companies located there) get temporary deferral of accumulated capital gains, up to a 15 percent basis step-up on capital gains invested, and the big windfall — a capital gains bill of zero on new gains for investments held 10 years. Under this scheme, taxpayers have the option to defer tax on a capital gain by investing the gain in an Opportunity Zone Fund. The Opportunity Zone Fund is a fund set up as either a corporation or partnership to invest in eligible property located in an opportunity zone.

Taxpayers who invest in an Opportunity Zone Fund do not need to live or work in the qualifying zone in order to invest in the funds.
The idea of the program is that it will incentivize investment in communities that have had trouble attracting investment, thereby spurring economic growth.

EXCERPT FROM TESTIMONY: 5.16.2018

TESTIMONY BEFORE THE JOINT ECONOMIC COMMITTEE OF THE UNITED STATES CONGRESS - JOHN W. LETTIERI, CO-FOUNDER AND PRESIDENT, ECONOMIC INNOVATION GROUP

The Promise of Opportunity Zones" May 17, 2018

Introduction

Chairman Paulsen, Ranking Member Heinrich, and members of the committee: it is a pleasure to be with you today.

I am the Co-founder and President of the Economic Innovation Group (EIG), a bipartisan research and advocacy organization. EIG helped to design and champion the *Investing in Opportunity Act*, legislation authored by Senators Tim Scott (R-SC) and Cory Booker (D-NJ) and Representatives Pat Tiberi (R-OH) and Ron Kind (D-WI). This legislation, which enjoyed broad bipartisan support, was the basis for the Opportunity Zones provision in the Tax Cuts and Jobs Act (TCJA) of 2017.

Key features of the Opportunity Zones incentive

The fundamental purpose of Opportunity Zones is to encourage long-term equity investments in struggling communities. In pursuing this goal, Congress established an incentive framework flexible enough to support a broad array of investments and encourage creative local implementation strategies. The unique structure – and equity focus – of this incentive has the potential to unlock an entirely new category of investors and create an important new asset class of investments. Congress designed Opportunity Zones to complement existing community development programs while incorporating lessons learned from previous place-based efforts. I want to draw particular attention to two of its most important distinguishing features:

•

- First, it is a highly **flexible** incentive that can be used to fund an array of equity investments in a variety of different sectors. This is critical, because low-income communities have a wide range of needs, and Opportunity Zones at their best will recruit investments in a variety of mutually enforcing enterprises that together improve the equilibrium of the local community. The structural flexibility extends to **Opportunity Funds**, the intermediaries that raise and deploy capital into Opportunity Zones. These funds can be nimble in responding to market interest and opportunity, thereby widening the aperture of investors who can participate. And, because Opportunity Funds do not need pre-approval for transactions, the cost, complexity, and time needed to deploy capital should be lower than in other programs.

- Second, the incentive is nationally **scalable**. There is no fixed cap on the amount on capital that can be channeled to target communities via Opportunity Funds, nor is there a limit on the number of Opportunity Zones that can receive investments in any given year. This scalability derives from that fact that investors are incented to reinvest their own capital gains without any up-front subsidy or allocation. EIG's analysis of Federal Reserve data found an estimated $6.1 trillion dollars in unrealized capital gains held by U.S. households and corporations as of the end of 2017. Even a small fraction of these gains reinvested into Opportunity Zones would make it the largest economic development initiative in the country.

Flexibility and scalability are essential ingredients because they unlock the vast creativity and problem-solving potential of communities and the marketplace in ways that would not be possible under a more prescriptive policy framework. Congress and the Administration should do everything possible to preserve and enhance these features as implementation moves forward in the months ahead, including through technical statutory refinements that will help ensure strong uptake among a broad spectrum of investors.