OPPORTUNITY ZONES

Highlights:

- Opportunity Zones benefitted the wealthiest investors.
  - The top 1% got richer off Opportunity Zones.

- Tim Scott has advocated for Opportunity Zones throughout his political career.
  - Scott convinced then-President Trump to include Opportunity Zone provisions in the GOP's tax plan.
  - Opportunity Zones were included in 2017 Tax Cuts and Jobs Act.
  - Scott continued to try and expand Opportunity Zone plans.

- Opportunity Zones did not benefit average Americans.
  - Opportunity Zone investment neglected needy communities.
  - Opportunity Zone investment has not shown significant impact for communities in need.
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- Opportunity Zones benefitted wealthy investors.
  - Opportunity Zone investment made the top one percent wealthier.
  - Opportunity Zone investment has not shown significant impact.

- Opportunity Zone legislation lacked reporting requirements.
  - Opportunity Zone legislation lacked the reporting requirements necessary to track progress.

- Opportunity Zones have been proven ineffective.
  - Opportunity Zones neglected communities in need.
  - Job and housing numbers in Opportunity Zones remained congruent with non-designated areas.

- Wealthy Trump allies took advantage of Opportunity Zones.
  - Richard LeFrak built real estate in Opportunity Zones.
  - Anthony Scaramucci profited from Opportunity Zones.
  - The Kushners benefited from real estate investment in Opportunity Zones.

Opportunity Zones Aimed To Ease Investment Into Distressed Areas

OPPORTUNITY ZONES WERE IMPLEMENTED TO BENEFIT INVESTORS THAT INVEST INTO LOW-INCOME AREAS

Opportunity Zones Were Designed To Encourage Investment Into Low-Income Areas And Benefit Investors. According to the Internal Revenue Service, "Opportunity Zones are an economic development tool that allows people to invest in distressed areas in the United States. Their purpose is to spur economic growth and job creation in low-income communities while providing tax benefits to investors. Opportunity Zones were created under the Tax Cuts and Jobs Act of 2017 (Public Law No. 115-97). Thousands of low-income communities in all 50 states, the District of Columbia and five U.S. territories are designated as Qualified Opportunity Zones." [Internal Revenue Service, 11/18/22]

Low-Income Areas Were Nominated To Be Deemed Opportunity Zones

Opportunity Zones Were Designated Through The Nomination Of Low-Income Areas. According to Forbes, "First conceived in April of 2018, OZ plans are now in place for communities in all 50 states this year. How it works is that each state nominates blocks of low-income areas by census tract, which are then certified by the Secretary of the U.S. Treasury via his delegation of authority to the Internal Revenue Service. Through the IRS, investors can file a Form 8896 to create a Qualified Opportunity Fund — vehicles structured as either a partnership or corporation for the purpose of investing in an OZ census track, whether in real estate or directly in businesses through equity. The fund is required to hold at least 90% of its assets in that qualifying OZ area." [Forbes, 3/30/19]

Opportunity Zones Were One Of Scott's Top Priorities

SCOTT LONG FOUGHT FOR OPPORTUNITY ZONES

2023: Scott Championed Opportunity Zone Investment

2023: Scott On Opportunity Zones: "I'll Never Stop Fighting To Build On The Incredible Work This Program Has Done." According to a press release from Senator Scott, "'Opportunity Zones embody the good work leaders can do for communities across the country when government gets out of the way and allows us to work together,' said Senator Scott. 'Investments in these underserved areas make a huge impact on communities - to the tune of billions of dollars. I'll never stop fighting to build on the incredible work this program has done and help create a better future for all Americans.'" [Press Release, Tim Scott, 3/22/23]

2022: Scott Introduced Legislation To Expand Opportunity Zones

2022: Scott Introduced Legislation To Extend Opportunity Zones Past Their Expiration. According to Bloomberg Tax, "A bipartisan group in Congress led by Sens. Cory Booker (D-N.J) and Tim Scott (R-S.C.) introduced a bill that would extend the federal program past its 2026 expiration as well as restore and expand federal reporting requirements that were part of an earlier version of the program, but stripped from the final version that became law." [Bloomberg Tax, 10/30/22]

2022: Scott Boasted About Massive Investment In Opportunity Zones. According to Scott' opinion in the Washington Post, "I have also worked in a bipartisan way on Opportunity Zones, where we have offered incentives to the private sector to invest in some of the most devastated Zip codes in America. Through this work, the private sector invested $29 billion during the program's first full year. These are the kinds of investments that lead to increased wages, reduced unemployment and reduced poverty in those neighborhoods." [Washington Post, Tim Scott, Opinion, 5/17/22]

2021: Scott Championed Opportunity Zones As Part Of His Opportunity Agenda

2021: Scott Identified Opportunity Zones As A Part Of His Opportunity Agenda. According to Scott's opinion in Deseret News, "I created my Opportunity Agenda for this reason — to help Americans who grew up in similar situations as I did and are living without hope for the future. Within my Opportunity Agenda are Opportunity Zones, distressed areas designated by states to allow us to foster entrepreneurship and job creation in neighborhoods that need it the most." [Deseret News, Tim Scott, Opinion, 1/11/21]

2020: Scott Received A Call Out For Opportunity Zones During Trump's State Of The Union Address

2020: Scott Was Congratulated By Trump For Opportunity Zone Work At The State Of The Union Address. According to WPDE, "Senator Tim Scott (R-S.C.) was recognized by President Donald Trump at the State of the Union address Tuesday night for his work on Opportunity Zones." [WPDE, 2/4/20]

2019: Scott And Pence Toured An Opportunity Zone Together

2019: Scott Toured A Designated Opportunity Zone With Pence. According to ABC Columbia, "Vice President Mike Pence talked about faith and community growth while he was in Columbia. Pence joined Senator Tim Scott to tour an opportunity zone here in the state. Opportunity Zones will soon be all across the state and the country thanks to Senator Tim Scott. Vice President Pence said this community, this state, and the nation are in his debt." [ABC Columbia, 2/21/19]

2018: Scott Advocated For The Tax Reform Bill Which Included Opportunity Zones

2018: Scott Advocated For His Bill, Which Included Opportunity Zones. According to a tweet from Senator Scott, "Our goal for the Investing in Opportunity act, included in the tax reform bill, is to make sure that those in the opportunity zones benefit from a long-term view of making a community better. #IIOA" [Twitter, @SenatorTimScott, 5/17/18]

SCOTT LOBBIED TRUMP TO SUPPORT OPPORTUNITY ZONES

Scott Said He Pitched Opportunity Zones To Trump. According to an excerpt from Scott's book published in Fox News, "For those twenty minutes President Trump didn't say a word. He just listened. […] I began to paint the picture of a plan I'd been dreaming of that would bring serious private investment into lower-income neighborhoods, what I had dubbed 'opportunity zones.' While the president had listened intently the entire time, he became excited when our conversation came to the subject of rebuilding communities. 'Tim, I understand incentives better than anyone. Listen, I'm a dealmaker. It's what I'm great at. I think this idea doesn't just help one group; it moves the economy of the entire nation forward. Right? This is what we need. Something that creates success in America. […] From that day forward, I was able to utilize the power of the president of the United States and his influence to make opportunity zones a reality. It came to fruition through the 2017 tax reform bill. To date, more than $75 billion of private equity has been committed to these neighborhoods throughout the country, and that number is ever expanding. This is one of the things I am most proud of, and it would not have been possible without the aid of President Trump." [Excerpt From Scott's Book Published In Fox News, 8/4/22]

Scott Met With Trump At A White House Meeting After Charlottesville And Pitched Opportunity Zones. According to CNN, "Scott, the first black senator elected in the South since Reconstruction, met with Trump for 40 minutes at the White House last year after the President faced bipartisan criticism for drawing equivalence between white supremacists protesting the removal of a Confederate monument in Charlottesville, Virginia, and counter protesters. […] The outcome of their conversation, Scott said, was Trump's support of the senator's 'opportunity zone' legislation, which made it into the GOP tax overhaul and uses tax incentives to encourage businesses to invest in low-income communities." [CNN, 7/2/18]

Opportunity Zones Benefitted Wealthy People

OPPORTUNITY ZONES FUNCTIONED AS A TAX BREAK FOR PRIVATE INVESTORS

CBPP On Opportunity Zones: "Tax Breaks Will Directly Benefit Wealthy Private Investors." According to the Center On Budget And Policy Priorities, "Because taxpayers must have unrealized capital gains to invest in an opportunity zone, and capital gains are heavily concentrated among the wealthy, the tax break will directly benefit wealthy private investors. Local residents of opportunity zones will benefit only to the extent that the tax break encourages new investments (not those that would have occurred anyway); creates jobs for residents; spurs the development of new, affordable housing; or creates broader economic improvements that reach local residents." [Center On Budget And Policy Priorities, 1/11/19]

Center For American Progress: Opportunity Zone Tax Provided Tax Benefits To Wealthy Investors. According to the Center For American Progress, "Important new research by economists Patrick Kennedy and Harrison Wheeler adds to a growing volume of evidence that opportunity zone tax breaks, created as part of the 2017 Tax Cuts and Jobs Act (TCJA), are costly and poorly targeted and do little to create jobs or improve conditions in poor communities. Instead, opportunity zones provide massive tax benefits to wealthy investors while subsidizing investment in few communities with relatively higher incomes, home values, and educational attainment as well as stronger income and population growth." [Center For American Progress, 6/16/22]

WEALTHY INVESTORS TOOK ADVANTAGE OF OPPORTUNITY ZONES THROUGH REAL ESTATE

Opportunity Zones Investment Was Largely Concentrated In Real Estate For Wealthy Donors. According to the Center For American Progress, "Opportunity zone investment is overwhelmingly concentrated in real estate, construction, and finance. Real estate alone received more than half of opportunity zone dollars. […] Rather than directly investing in property or business assets, the vast major of opportunity zone investments were structured as partnerships to allow investors to claim the special deduction for pass-through entities that was also created by the 2017 TCJA." [Center For American Progress, 6/16/22]

REAL ESTATE INVESTMENT FIRM PARSONEX TOOK ADVANTAGE OF OPPORTUNITY ZONES

Parsonex Began Their Third Real Estate Investment Through Opportunity Zones

Los Angeles Firm Began Their Third Real Estate Investment In Colorado Opportunity Zone. According to PR Newswire, "Earlier last week, Parsonex Capital Partners ('Parsonex') announced it has broken ground on its third Qualified Opportunity Zone ('QOZ'), a development project located in Grand Junction, Colorado." [PR Newswire, 3/14/23]

One Of Parsonex's Goals Was To Offer Tax Benefits To Investors

Parsonex Capital Partners' Missions Was To Use Opportunity Zones To Give Investors Tax Benefits And Improve Underserved Communities. According to PR Newswire, "Parsonex Capital Partners, headquartered in Englewood, Colorado, is a private fund sponsor, with a focus on real estate development, qualified opportunity zones and special situations. The firm's leadership believes that, when done correctly, QOZs provide a compelling opportunity to directly improve the economic condition of underserved communities while also offering tax benefits to investors. Parsonex strives to unlock the tax-savings benefits of opportunity zones while identifying communities in which the firm can have a lasting positive impact." [PR Newswire, 3/14/23]

INVESTMENT INTO OPPORTUNITY ZONES WAS SPENT ON HIGH-END APARTMENTS AND HOTELS

New York Times: Opportunity Zone Investments Were Spent On High-End Apartments And Hotels And Buildings With Low Job Creation. According to the New York Times, "Instead, billions of untaxed investment profits are beginning to pour into high-end apartment buildings and hotels, storage facilities that employ only a handful of workers, and student housing in bustling college towns, among other projects. Many of the projects that will enjoy special tax status were underway long before the opportunity-zone provision was enacted. Financial institutions are boasting about the tax savings that await those who invest in real estate in affluent neighborhoods." [New York Times, 8/31/19]

OPPORTUNITY ZONE INVESTMENT MADE THE TOP ONE PERCENT WEALTHIER

Center For American Progress: Opportunity Zones Made The Top One Percent Wealthier. According to the Center For American Progress, "The average household income of opportunity fund investors—the direct beneficiaries of zone tax breaks—placed them well into the top 1 percent of the income distribution, at $4.8 million in 2019, compared with $117,000 for the population as a whole. This is not surprising given the fact that capital gains income is highly skewed toward the wealthiest households, as detailed in prior research by the Center for American Progress. These are the households that stand to benefit from the ability to shelter gains provided by opportunity zone tax breaks." [Center For American Progress, 6/16/22]

OPPORTUNITY ZONE INVESTMENT FAILED TO SUPPORT MANUFACTURING

Opportunity Zones Failed To Adequately Invest In Manufacturing. According to the Center For American Progress, "Only 1 percent of the firms that received opportunity zone funds were in manufacturing." [Center For American Progress, 6/16/22]

Opportunity Zones Did Not Benefit Average Americans And Their Communities

HIGHER-INCOME AREAS RECEIVED OPPORTUNITY ZONE INVESTMENT

Opportunity Zone Designation Allowed Investments To Go To Higher-Income Areas. According to the Center On Budget And Policy Priorities, "Governors, who have now completed the selection process, had to choose most of these zones from localities that qualify as 'low-income communities,' meaning that they have either a poverty rate of at least 20 percent or a median income that's no greater than 80 percent of the median income in their metropolitan area. This definition of 'low-income community' is broad enough to include some areas that are not truly distressed, such as areas adjacent to some elite colleges — for example, the University of Virginia and the University of California at Berkeley, where a large concentration of students skews the income data. Furthermore, the law lets governors designate a subset of areas that are adjacent to a low-income community and have a median income of no more than 125 percent of the median income of the adjacent low-income community. Thus, they could designate as opportunity zones a number of areas that many would not consider 'distressed' — including Long Island City, where Amazon is moving one of its new headquarters." [Center On Budget And Policy Priorities, 1/11/19]

Center For American Progress: Higher-Income Areas Have Taken Advantage Of Opportunity Zones. According to the Center For American Progress, "While the tax breaks were ostensibly intended to direct capital to neighborhoods most in need, the large number of zones—8,764 census tracts designated in 2018, home to about 10 percent of the U.S. population—along with the ability to classify higher-income areas adjacent to poor neighborhoods ultimately undermined the program's focus." [Center For American Progress, 6/16/22]

RAPIDLY GENTRIFIED AREAS QUALIFIED FOR OPPORTUNITY ZONES

Rapidly Gentrifying Areas In Major Cities Have Qualified For Opportunity Zones. According to the Center On Budget And Policy Priorities, "Rapidly gentrifying areas of Oakland, Los Angeles, and New York City have qualified as opportunity zones, as has part of the Las Vegas Strip where a new NFL stadium is expected.[11] While such areas may represent a small share of opportunity zones, the rules don't prohibit opportunity zone funds from investing exclusively in the most affluent zones. Thus, these 'outlier' zones could attract a significant share of the opportunity zone investment and come to account for a disproportionate share of the lost federal revenue." [Center On Budget And Policy Priorities, 1/11/19]

OPPORTUNITY ZONES FAVORED HIGH RETURNS OVER COMMUNITY BENEFITS

Center For American Progress: "Opportunity Zones Structurally Favor High Returns, Not Community Benefits." According to the Center For American Progress, "Opportunity zones have fewer limits on the range of qualifying investments and fewer safeguards to prevent abuse and revenue loss than other tax-based programs designed to promote community and economic development, such as the New Markets Tax Credit and the Low-Income Housing Tax Credit programs. What's more, regulations issued by the Trump administration broadened the intent of the original law and created opportunities for abuse. As a result of lenient regulations, for example, investors can claim a full tax break even if only 63 percent of the capital in an opportunity fund is actually invested in an opportunity zone. Moreover, the original law includes no requirements that opportunity zone residents actually benefit from investments." [Center For American Progress, 6/16/22]

OPPORTUNITY ZONES DID NOT HELP COMMUNITIES IN NEED

Opportunity Zone Investment Did Not Significantly Improve Economic Outcomes For Areas In Need. According to the Center For American Progress, "A comparison of changes in housing prices in opportunity zones and closely matched areas that were not selected as zones found negligible evidence of an increase after zone designation. The authors of the study state that their findings indicate that 'buyers do not believe that Opportunity Zone status will generate a significant change in the economic fortunes of the neighborhood." [Center For American Progress, 6/16/22]

Job Postings In Opportunity Zones Were Not Higher Than Those In Non Opportunity Zones. According to the Center For American Progress, "A comparison of job postings—which the researchers suggest can be a 'leading indicator' of job growth—in opportunity zones and ZIP codes eligible, but not selected, for zone designation found no increase in postings in designated zones. Specifically, the authors of the study stated finding 'no evidence of zip codes with OZs having more job postings than comparable non-OZ zip codes over the whole sample. Similarly, we found find no evidence of an effect for OZs with confirmed investment. Neither do we find an effect in construction and real estate industries, the industries in which we should expect a large number of projects taking advantage of the program.'" [Center For American Progress, 6/16/22]

OPPORTUNITY ZONE INVESTMENT NEGLECTED COMMUNITIES IN REAL NEED

A Community Development Organizer Quoted In The New York Times Claimed That Opportunity Zones Are Not Doing Good For Communities In Need. According to the New York Times, "But leaders of groups that work in cities and rural areas to combat poverty say they are disappointed with how it is playing out so far. 'Capital is going to flow to the lowest-risk, highest-return environment,' said Aaron T. Seybert, the social investment officer at the Kresge Foundation, a community-development group in Troy, Mich., that supported the opportunity-zone effort. 'Perhaps 95 percent of this is doing no good for people we care about.'" [New York Times, 8/31/19]

Center For American Progress: Opportunity Zones Benefited Projects That Were Of "Little Use To Community Residents." According to the Center For American Progress, "'Opportunity zones' singular focus on reducing taxes owed on capital gains structurally favors projects that generate high returns, rather than the greatest social impact. For example, a luxury apartment building could be a more lucrative investment generating larger tax benefits than low-income housing that fulfills a community's greater need. Similarly, zone investors—who receive the tax breaks—are typically passive investors who use the opportunity fund structure to shelter gains earned both within and outside zones. The structure of the tax breaks make them of little use to community residents who lack a stock of capital gains but who have a long-term commitment to the types of investments that create a thriving community. Other flaws in the structure of the incentives allow investors to claim tax breaks for opportunity funds that invest in other funds rather than directly in a zone. A 2022 report by the Treasury's Inspector General for Tax Administration found that slightly more than 1 out of 20, or 6.4 percent, of the opportunity funds it examined had made such circular investments, totaling $1.3 billion." [Center For American Progress, 6/16/22]

OPPORTUNITY ZONES HAVE NOT SHOWN A SIGNIFICANT IMPACT

Center For American Progress: Research Shows That Opportunity Zones Benefitted Areas Already Seeing Development, Therefore Having Little To No Impact. According to the Center For American Progress, "Taken as a whole, research to date suggests that opportunity zone tax breaks have largely benefited areas already experiencing development, projects that would have occurred in the absence of an incentive, and/or projects—such as self-storage facilities and bitcoin mining facilities—that do little to create employment and economic activity in surrounding communities." [Center For American Progress, 6/16/22]

Opportunity Zones Lacked Reporting Requirements

OPPORTUNITY ZONES LACKED PROPER REPORTING REQUIREMENTS

Investment In Opportunity Zones By Both State And Federal Entities Has Resulted In A Lack Of Data Tracking And Transparency Which Has Made It Difficult to Determine If Funds Are Being Used Efficiently And Correctly. According to Bloomberg Tax, "States piggybacking on the federal opportunity zone program—aimed at revitalizing low-income communities—have poured millions into tax incentives to spur the construction of apartment buildings, boutique hotels, and commercial real estate projects. But a lack of transparency and data tracking between these federal and state efforts makes it tough to determine if the money is being spent wisely." [Bloomberg Tax, 10/30/22]

Trump Allies Benefitted From Opportunity Zones

WEALTHY TRUMP-AFFILIATED INVESTORS BENEFITTED FROM OPPORTUNITY ZONES

Opportunity Zone Legislation Benefited Wealthy Trump-Affiliated Investors. According to the New York Times, "President Trump has portrayed America's cities as wastelands, ravaged by crime and homelessness, infested by rats. But the Trump administration's signature plan to lift them — a multibillion-dollar tax break that is supposed to help low-income areas — has fueled a wave of developments financed by and built for the wealthiest Americans. Among the early beneficiaries of the tax incentive are billionaire financiers like Leon Cooperman and business magnates like Sidney Kohl — and Mr. Trump's family members and advisers. Former Gov. Chris Christie of New Jersey; Richard LeFrak, a New York real estate titan who is close to the president; Anthony Scaramucci, a former White House aide who recently had a falling out with Mr. Trump; and the family of Jared Kushner, Mr. Trump's son-in-law and senior adviser, all are looking to profit from what is shaping up to be a once-in-a-generation bonanza for elite investors The stated goal of the tax benefit — tucked into the Republicans' 2017 tax-cut legislation — was to coax investors to pump cash into poor neighborhoods, known as opportunity zones, leading to new housing, businesses and jobs.." [New York Times, 8/31/19]

RICHARD LEFRAK PLANNED TO BUILD REAL ESTATE IN AN OPPORTUNITY ZONE

Major Trump Donor Richard LeFrak Planned To Build Luxury Real Estate In A Miami Opportunity Zone. According to the New York Times, "Mr. LeFrak, a longtime confidante of Mr. Trump's and a major campaign donor, is building a sprawling luxury residential community in the middle of an opportunity zone in Miami, though it's unclear how much of the development's funding will end up being tax-advantaged. In an opportunity zone in Miami, Mr. LeFrak, who donated nearly $500,000 to Mr. Trump's campaign and inauguration and is personally close to the president, is working with a Florida partner on a 183-acre project that is to include 12 residential towers and about 500,000 square feet of retail and commercial space." [New York Times, 8/31/19]

ANTHONY SCARAMUCCI BENEFITTED FROM OPPORTUNITY ZONE INVESTMENT

Scaramucci's Firm Used Opportunity Zones To Build A Hotel. According to the New York Times, "Mr. Scaramucci's development in New Orleans offers a portrait of how the tax break works. His investment company, SkyBridge Capital, is using the so-called opportunity zone initiative to help build a hotel, outfitted with an opulent restaurant and a rooftop pool, in the city's trendy Warehouse District." [New York Times, 8/31/19]

Scaramucci's Firm Also Invested In A High-Rise In Houston And Office Towers In Miami. According to the New York Times, "The tax benefit also is helping finance the construction of a 46-story, glass-wrapped apartment tower — amenities include a yoga lawn and a pool surrounded by cabanas and daybeds — in a Houston neighborhood already brimming with new projects aimed at the wealthy. And in Miami's hot Design District, where commercial real estate prices have nearly tripled in the last decade, the tax break is set to be used for a ritzy new office tower with a landscaped roof terrace." [New York Times, 8/31/19]

THE KUSHNERS BENEFITTED FROM OPPORTUNITY ZONE REAL ESTATE INVESTMENT

The Kushner Family Planned To Take Advantage Of Opportunity Zones To Build High-Rises And Other Luxury Real Estate. According to the New York Times, "Jared Kushner's family company owns or is in the process of buying at least a dozen properties in New York, New Jersey and Florida that are in opportunity zones. That includes a pair in Miami, where Kushner Companies plans to build a 393-apartment luxury high rise with sweeping views of Biscayne Bay, according to a company presentation for potential investors. 'Kushner Companies is considering the option of accessing opportunity zone funds,' the company said in a statement, but it added that the Miami project likely will not use them. In addition, Cadre, an investment company co-founded by Mr. Kushner and his brother, Joshua, is raising hundreds of millions of dollars that it hopes to use on opportunity-zone projects." [New York Times, 8/31/19]