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Scott, Grassley, Colleagues Introduce Expanded Bill on Opportunity Zone Reporting Requirements

WASHINGTON – U.S. Senator Tim Scott (R-SC) was joined today by Senate Finance Committee Chairman Chuck Grassley (R-IA), Senators Marco Rubio (R-FL), Shelley Moore Capito (R-WV), Todd Young (R-IN), Joni Ernst (R-IA), Bill Cassidy (R-LA), and Cory Gardner (R-CO) in the introduction the IMPACT Act, which would reinstate and expand reporting requirements to determine the impact of the more than 8,700 Opportunity Zones across the country. Opportunity Zones were initially proposed by Scott's Investing In Opportunity Act, first introduced more than four years ago, which included strong reporting requirements. Procedural rules stripped the reporting requirements out of the Opportunity Zones provisions when they were added into the 2017 tax reform package, and Senator Scott has remained committed to restoring and bolstering reporting requirements ever since.

The IMPACT, or *Improving and Reinstating the Monitoring, Prevention, Accountability, Certification, and Transparency Provisions of Opportunity Zones, Act* includes a variety of reporting requirements, fully listed below, to provide for the most robust and granular analysis over time on the targeted impacts of investments in Opportunity Zones. With more than $63 billion already in anticipated investments, it is critical that this analysis is in place. The IMPACT Act's requirements do this while protecting taxpayer privacy laws and preserving the ability of communities to utilize a wide-variety of possible investments without overburdening entrepreneurs and local governments with mountains of unnecessary paperwork.

"Opportunity Zones provide thousands of low-income communities, both urban and rural, across the country with the potential to transform the future for generations to come," **Senator Tim Scott said.** "The IMPACT Act's reporting requirements will help show communities and investors that the initiative is working, as well as help root out any fraud or abuse. This is an important piece of the puzzle to help the more than 31 million Americans living in Opportunity Zones experience a brighter future."

"Opportunity Zones have the potential to transform some of the most economically underdeveloped parts of the country and lift millions of Americans out of poverty. Everyone deserves a shot at the American Dream. This legislation will help make sure the federal government has the information it needs to track the success of Opportunity Zones," **said Senate Finance Committee Chairman Chuck Grassley.**

"I was proud to support Opportunity Zones in 2017 with the goal of spurring economic innovation in communities across our nation, giving all Americans the chance to succeed," **Senator Rubio said.** "The IMPACT Act will increase accountability to ensure Opportunity Zones are having the positive effect on distressed communities that they were created to."

"This bill would help us monitor and better understand what's working and what's not in the Opportunity Zone program. This program can really be a game-changer for West Virginia because of the chance to leverage investments. Having this information will help the program become more robust and aid the communities that need it the most," **said Senator Capito.**

"When we passed tax reform, I was proud to support the creation of Opportunity Zones to incentivize new investment in distressed communities across the country," **said Senator Young.** "The IMPACT Act will help strengthen Opportunity Zones by increasing transparency within the program and creating metrics to measure and improve on its success."

"As a fifth generation Coloradan who grew up on the Eastern Plains, I know how important it is to attract growth to local communities, and particularly rural communities, in Colorado and throughout the country," **said Senator Gardner.** "The

IMPACT Act will provide new data on Opportunity Zones, so we can make them as effective as possible at encouraging investment, inciting growth, and extending opportunities for communities across all four corners of Colorado."

Instead of utilizing a "Band-Aid method" or temporary fix, the Opportunity Zones initiative aims to lift up entire neighborhoods by attracting private investment to areas most in need. With about $6 trillion of capital gains sitting on the sidelines, investors can now take advantage of a tax incentive if they elect to invest resources in the more than 8,700 designated distressed communities across the country.

The law is also written in a way that encourages long-term investment by allowing for a "step-up" approach: There is a greater financial benefit for investing over a 10-year time period, rather than just five years. This type of structure will encourage investors to establish meaningful relationships with the communities they are investing in.

Click **HERE** to read full bill text.

What They're Saying

"Understanding the full scope and impact of Opportunity Funds will ensure the provision fulfills the promise of economic opportunity for distressed communities across the country," **said Shay Hawkins, President of the Opportunity Funds Association.** "Senator Scott is continuing to lead in strengthening Opportunity Zones. The IMPACT Act of 2019 is good policy, introduced in good faith, and OFA's membership is in full support."

"Counties foster conditions for economic growth and competitiveness," **said National Association of Counties Executive Director Matthew Chase.** "We commend Senator Scott for introducing legislation to incentivize economic development in distressed communities and improve reporting requirements for projects funded through Opportunity Zones. We look forward to working with lawmakers to ensure that all counties have access to potential federal investments in economic opportunities for our residents."

Specifically, the IMPACT Act:

- **Codifies requirements for Qualified Opportunity Funds** to report information on the value of total assets held by the fund, the location and value of Opportunity Zone property held by the fund, whether the property is owner or leased, information on disposed investments during the tax year, information on the location and industry classification codes of businesses receiving equity investments as well as the value of those investments. The IMPACT Act also requires reporting on the number of persons employed through OZ investments, thereby providing data on job creation and firm growth without burdening small businesses and funds alike.

- **Codifies requirements for investors** to report critical information on Opportunity Zone investments including funds receiving investments, relevant dates on which investments and dispositions are made, descriptions of Opportunity Zone investments, and measures that will continue to allow IRS to track both the deferral and recognition of gains, the trajectory of OZ investments over time, and compliance more broadly.

- **Adds penalties** for both individuals and funds that fail to accurately and appropriately file the required returns or statements and also significantly enhances penalties for any individual who attempts to take advantage of the OZ incentive for fraudulent purposes.

- **Requires that Treasury make public as soon as practicable and annually thereafter** timely, comprehensive information tracking Qualified Opportunity Funds and their corresponding investments into zones.
    - Specifically, Treasury shall make public in the aggregate the total number of funds, the total assets of all funds, the distribution of Opportunity Zone investments across different industry classification codes, the percentage of all Opportunity Zones that have received investment through the incentive, the total amount of Opportunity Fund investments made in each census tract, the distribution of investments in real property and active businesses, data deciphering the sizes of

businesses receiving OZ investment, and numbers of jobs created or sustained by those businesses in light of Opportunity Zone investments.

- **In addition to that, this legislation requires the most comprehensive community impact report on Opportunity Zones,** which will provide granular data on the real impacts we're seeing in OZ's over time. Specifically, in addition to the annual reporting Treasury is required to produce, in five years and again five years thereafter, Treasury shall work with relevant agencies to provide a comprehensive report on an exhaustive list of economic and demographic data points to provide a holistic view on the impact to each census tract over time. This includes but is not limited to the unemployment rate of the zone, education levels of zone residents, the availability of affordable housing and percentage of income used for rent, impacts to median family income, the presence of specific industries and new business starts that create jobs, home equity impacts for residents, and more.

- But this IMPACT Act doesn't stop there, it also compares these data points with the time periods before these specific tracts were designated as Opportunity Zones and also compares them against other low income communities that are similarly situated but were not selected for OZ designation. This will ultimately provide us with a holistic understanding of the real impacts to zone residents as well as the benefits and potential of the Opportunity Zones.

- **The IMPACT Act also ensures the protection of private taxpayer information** currently safeguarded under federal law, thereby protecting competitive and proprietary information critical to the marketplace.

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