

Congress of the United States
Washington, DC 20515

November 18, 2019

The Honorable Richard E. Neal
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
House Committee on Ways and Means
1139 Longworth House Office Building
Washington, DC 20515

The Honorable Chuck Grassley
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Neal, Chairman Grassley, Ranking Member Brady, and Ranking Member Wyden,

We write to urge the swift enactment of legislative measures to enable the Opportunity Zone (OZ) tax incentives established by Public Law 115-97 to more successfully achieve their purpose, which was stated by Treasury Secretary Mnuchin as “ensur[ing] that more Americans benefit from our economic expansion and robust job market.” If a policy is intended to benefit low-income Americans by incenting development in economically disadvantaged communities, then such a policy must prevent manipulation of investments to benefit only investors or high-income prospective residents to the exclusion of low-income current residents. Recent reports have made it clear that rules to prevent such manipulation are needed with respect to Opportunity Zones.

In order to learn the exact extent to which benefits are serving the intended beneficiaries, we support mandatory reporting of in-depth information concerning tax-advantaged investments in Opportunity Zones. H.R. 5011, the Opportunity Zone Accountability and Transparency Act introduced by Representatives Kind, Kelly, and Sewell, is an important step forward toward this end. Among other provisions, this bill would require the disclosure of the number of residential units in each property subsidized by the OZ incentive, the number of these that are rental units, and, perhaps most importantly, the number of these rental units with low-income residents. We are encouraged by reported bipartisan discussions concerning the inclusion of OZ reporting requirements in forthcoming tax legislation; Congress and the public must know who is benefiting.

While reporting requirements regarding OZ investments are necessary, reporting is not sufficient to ensure that tax revenue is forfeited only if the intended public purpose is fulfilled. Reporting requirements must be coupled with substantive reforms. Many worthwhile reforms have been proposed:

- H.R. 5042, the Opportunity Zone Reform Act introduced by Whip Clyburn and Representatives Adams and Clay as a House companion to nearly identical sections of S. 2787, Ranking Member Wyden's Opportunity Zone Reporting and Reform Act, disallows OZ tax breaks for types of investments that do not benefit low-income people, repeals OZ designations of areas that aren't low-income, and tightens rules to ensure that tax benefits are only available with respect to new investments with community benefits.
- H.R. 4999, the Opportunity Zone Fairness and Inclusion Act introduced by Representative Hank Johnson, would require OZ fund boards to include OZ community members; would require diverse investment advisors; and would require OZ funds to invest a portion of their money in smaller-scale projects, minority businesses, and OZ residents.
- H.R. 4011, the Opportunity Zone Lead Remediation Impact Act introduced by Rep. Cummings before his passing and now led by Rep. Tlaib, would require OZ investors to fund lead remediation in order to qualify for the tax break.

This is by no means an exhaustive list, and we would welcome the opportunity to discuss which OZ reforms would be most conducive to achieve the program's goals.

While private investment can never be a substitute for public services, we welcome efforts to promote investments to benefit low-income individuals and low-income communities—as long as such efforts are successful in delivering those benefits. The current consideration by your committees of legislative updates pertaining to Opportunity Zones presents a rare opportunity to enact substantial improvements that would significantly increase the success of the program. We look forward to working with you to take advantage of this opportunity to expand economic opportunity for our constituents.

Sincerely,

James E. Clyburn

Karen Bass

Freddie Wilson FL-24

E. Norton Co

Barbara Lee CA-13

Ernest Scott WI-04

Danny K. Davis

Bobbie Scott

Yvette D. Clark

Bobby L. Cook

Eddie Bonnie Johnson

Stacy E. Platt

Paul L. Kelly

John J. H. H.

Brenda L. Lawrence

Val B. Demunip

Lauren

AG

Hank Johnson

Marcia L. Judge

Dale B. B. B.

Mr. Stacy Clay

Bonnie Watson Coleman

Anna Adams

J. A. B.

Samuel J.