

Executive Summary

The Opportunity Zone (O-Zone) tax break was created by the 2017 Republican tax cut legislation. It was promoted as a way to incentivize investment in economically disadvantaged areas but it is marred by poor design and flawed implementation so that it will most likely provide tax breaks for investments in already booming cities and gentrifying neighborhoods. The program incentivizes investments that aim to maximize returns in lower-income areas where residents are vulnerable to economic displacement pressures. Problems and likely negative consequences of the program include:

- **Exacerbation of affordable housing crisis and displacement of residents of color and lower-income residents:** The bulk of investments are likely to flow into a subset of cities and O-Zones that are already economically transitioning. Studies have found that prior place-based development tax incentives contributed to higher housing prices and the dislocation of existing residents.
- **Poorly targeted to disadvantaged areas:** The designated O-Zones did not have less investment than eligible areas that were not included in the program and many gentrifying areas or neighborhoods near gentrifying areas were included in the program. Nine percent of the designated O-Zones do not meet the tax breaks' own statutory poverty or income thresholds.
- **Failure to include performance standards or disclosure requirements:** There are no requirements that the investments benefit low- or moderate-income residents, and the lack of transparency and disclosure prevents evaluation of the social and economic impact of the program.
- **Tax break could become \$26 billion giveaway:** Treasury Secretary Stephen Mnuchin predicted \$100 billion could be invested under the program; if these investments are held for a decade, federal revenues could fall by over \$26 billion. Investors and real estate developers would pocket these billions as tax savings.
- **Wealthy, well-connected investors poised to reap substantial benefits:** Some of President Trump's inner circle have already formed investment vehicles to benefit from O-Zone program and several high-profile real estate developers lobbied to have projects or land covered by the program.

The O-Zone tax break benefits the real estate industry and wealthy investors – far more than the program benefits communities. The lost federal revenues would have been better spent on public investments that address the problems people face every day in economically struggling communities.