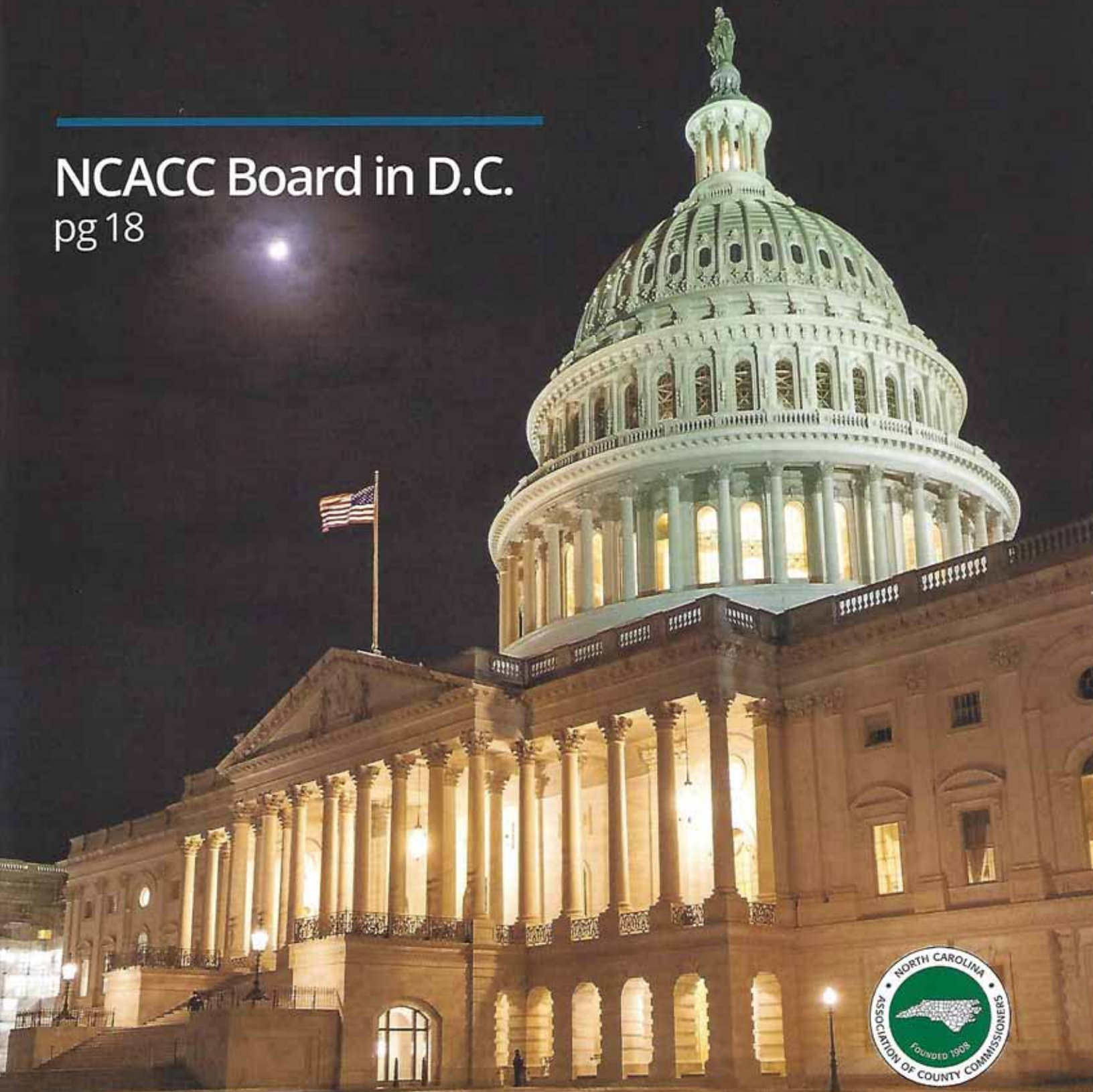


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**NCACC Board in D.C.**  
pg 18



# Opportunity Zones

The White House Initiative to Help Economically Distressed Areas

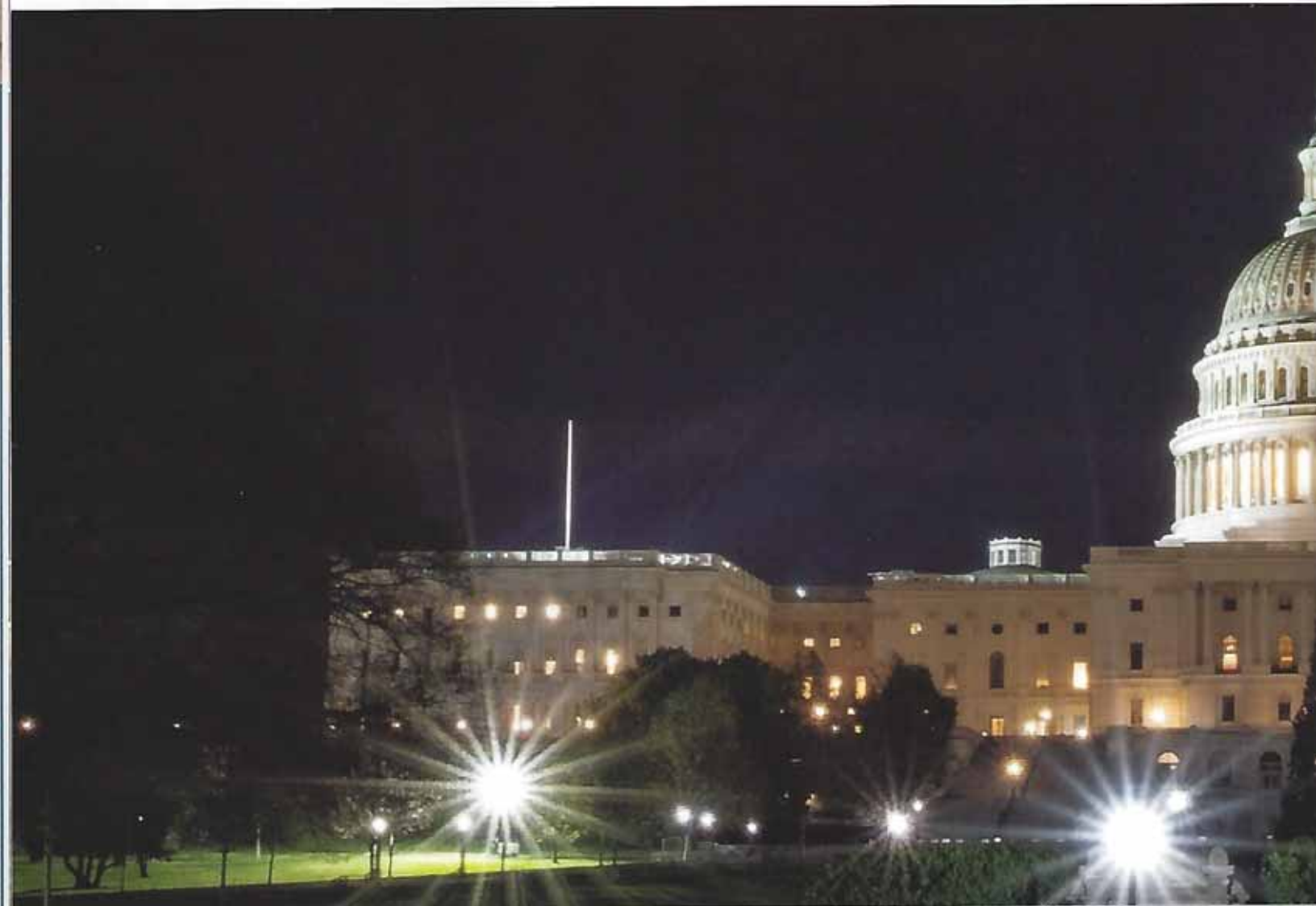
*By Leslie Mozingo | Federal Relations Consultant, Strategics Consulting*

**During the December 2019 NCACC Board Meeting in Washington, D.C., the Association's board members were welcomed to the Eisenhower Executive Office Building to meet with several top White House officials from the U.S. Departments of Commerce, Agriculture, Transportation, Housing and Urban Development, the Small Business Administration, and the National Security Council.**

NCACC board members learned about federal programs at various

agencies to address county challenges such as broadband access, community and rural development issues, and other issues. During these presentations, a common theme was clear; Opportunity Zones (OZs) are a priority for this Administration.

Just a few months later, on February 7, the White House hosted a premier event – the Opportunity Now summit – in Mecklenburg County, which also promoted Opportunity Zones. Local elected leaders, investors, and community



*Official White House photo  
by Shealah Craighead*



stakeholders were invited to attend the day-long event that highlighted speeches from cabinet secretaries such as U.S. Housing and Urban Development (HUD) Secretary Ben Carson and Small Business Administration Administrator Jovita Carranza, with final remarks given by President Donald Trump. NCACC President Kevin Austin and several other county commissioners attended.

### What Are Opportunity Zones?

Opportunity Zones were created under the 2017 Tax Cuts and Jobs Act to stimulate economic development and job creation by incentivizing long-term

investments in economically distressed communities. The new law offers investors incentives through capital gains tax relief for new investment in designated OZs. Governors nominated qualified zones based on census tract data and the U.S. Secretary of the Treasury through the IRS made the official designation. Qualified OZs retain this designation for 10 years. The first OZs were designated in April 2018, and now there are more than 8,760 certified OZs in all 50 States, the District of Columbia, and five Territories, with 45% located in rural census tracts.



*"Revitalization doesn't have a color or a party; it starts in the heart." - Scott Turner, Executive Director of the White House Opportunity and Revitalization Council*

## How They Work

The 252 OZs in the State of North Carolina, certified in May 2018, represent a total population of over 1.1 million people including nearly 45,000 families with children in poverty. Over 50,000 businesses are located in North Carolina's Opportunity Zones. Boundary details on OZs in each state can be found using an interactive map located on the official website listed at the bottom of this article.

The program provides three tax benefits for investing unrealized capital gains in OZs:

1. Temporary deferral of taxes on previously earned capital gains. Investors can place existing assets with accumulated capital gains into Opportunity Funds, an investment vehicle organized to make investments in OZs. Those existing capital gains are not taxed until the end of 2026 or when the asset is disposed of.
2. Basis step-up of previously earned capital gains invested. For capital gains placed in Opportunity Funds for at least five years, investors' basis on the original investment increases by 10 percent. If invested for at least seven years, investors' basis on the original investment increases by 15 percent.
3. Permanent exclusion of taxable income on new gains. For investments held for at least 10 years, investors pay no taxes on any capital gains produced through their investment in Opportunity Funds.

Any corporation or individual with capital gains can qualify and investors can take advantage of one or more of the benefits. Apart from a few "sin" businesses, Opportunity Funds can finance a broad variety of activities and projects. Funds can finance commercial and industrial real estate, housing, infrastructure, and existing or start-up businesses. For real estate projects to qualify for Opportunity Fund financing, the investment must result in the properties being "substantially improved."

## White House Opportunity and Revitalization Council

On December 12, 2018, President Trump issued an Executive Order to establish the White House Opportunity and Revitalization Council ("Council"). The Council is chaired by HUD Secretary Ben Carson and is comprised of 17 Federal agencies. Scott Turner, a former Texas state representative and NFL cornerback, serves as the Executive Director of the Council.

The Council is tasked with implementing several functions, such as:

- Leading joint efforts across executive departments and agencies to engage all levels of government to identify best practices and assist all stakeholders in using public funds through the OZ incentive to revitalize economically distressed communities;
- Regularly consult with officials from State, local, and tribal governments and individuals from the private sector to solicit feedback on how best to stimulate the economic development of economically distressed areas;

- Consider whether and how economically distressed areas could be possible locations for Federal buildings;
- Determine whether and how Federal technical assistance, planning, financing tools, and implementation strategies can be coordinated across agencies to assist communities in addressing economic problems, engaging in comprehensive planning, and advancing regional collaboration;
- Improve revitalization efforts by streamlining, coordinating, and targeting existing Federal programs for economically distressed areas; and
- Present the President with a number of reports identifying and recommending ways to encourage investment in economically distressed areas.

*Opportunity Zones are anticipated to spur \$100 billion in private capital investment.*

## More Than Tax Incentives

Many federal departments and agencies have indicated priority consideration for grant projects that fall within an OZ or align with the Trump Administration's OZ initiative. Hundreds of grants worth more than \$770 million receiving "preference points" are listed on the OZ website.

Also on the website is the Council's recently released one-year report on Opportunity Zones. The report outlines the 180 action items completed by the Council and its partners, and makes 43 additional recommendations that are subregulatory, regulatory, and legislative in nature. The report provides updates on:

- reforms that streamline existing regulations;
- actions that protect taxpayers by optimizing use of Federal resources;
- practices that stimulate economic opportunity and mobility;
- ideas that encourage entrepreneurship; pathways to expand quality educational opportunities;
- efforts to develop and rehabilitate quality housing stock; and
- recommendations to promote workforce development, safety, and the prevention of crime.

For more information and to sign up for email updates on the OZ initiative, visit [www.OpportunityZones.gov](http://www.OpportunityZones.gov).

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