

ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to the Tax Cuts and Jobs Act of 2017 and City projects and investments in Opportunity Zones and qualified opportunity funds.

Recommendations for Council action, as initiated by Motion (Buscaino - Price), SUBJECT TO THE APPROVAL OF THE MAYOR:

1. APPROVE the list of recommendations as found in the Economic and Workforce Development Department (EWDD) report dated December 4, 2018, attached to the Council file, for submittal to the Internal Revenue Service in response to 26 CFR Part 1.1545-bp03 Investing in Qualified Opportunity Funds guidance under new Section 1400z-2 of the Internal Revenue Code.
2. APPROVE the marketing program provided in the said EWDD report to promote city projects and investments in Opportunity Zones and qualified opportunity funds.

Fiscal Impact Statement: The EWDD reports that there is no impact to the General Fund.

Community Impact Statement: None submitted.

## SUMMARY

At the meeting held on December 11, 2018, your Economic Development Committee considered a EWDD report relative to the Tax Cuts and Jobs Act of 2017 and City projects and investments in Opportunity Zones and qualified opportunity funds. The EWDD reports that Opportunity Zones are a new community development program added to the tax code by the Tax Cuts and Jobs Act on December 22, 2017.

The Tax Cuts and Jobs Act created Opportunity Zones to unlock unrealized capital gains by incentivizing private sector investments and development in low income census tracts. Opportunity Zones are designed to spur economic development by providing tax benefits to investors in two ways. First, investors can defer tax on any prior gains invested in a Qualified Opportunity Fund until the earlier of the date on which the investment in a fund is sold or exchanged, or December 31, 2026.

If the fund investment is held for longer than 5 years, there is a 10 percent exclusion of the deferred gain. If the fund investment is held for more than 7 years, the 10 percent minimum becomes 15 percent. Second, if the investor holds the investment in the fund for at least 10 years, the investor is eligible for an increase in basis of the fund investment equal to its fair market value on the date that the fund investment is sold or exchanged. After an opportunity for public comment was held, the Committee moved to approve the EWDD's recommendations, as detailed above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

ECONOMIC DEVELOPMENT COMMITTEE

**MEMBER VOTE**  
PRICE: YES  
BUSCAINO: YES  
ME 12/11/18

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**