

Welcome to Tax Breaklandia

January 17, 2019

[Bloomberg Businessweek](#)



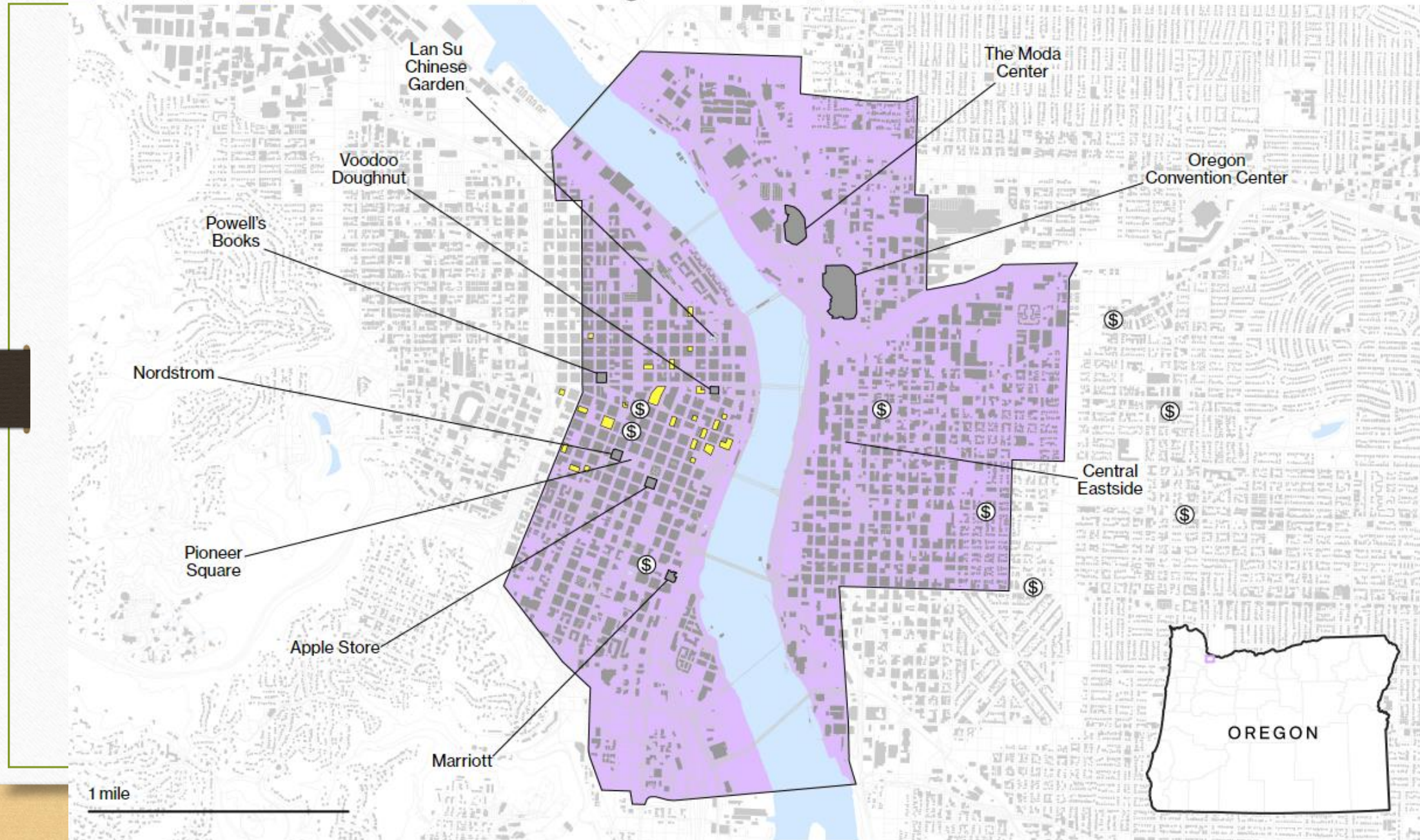
History of Opportunity Zones

RUSH

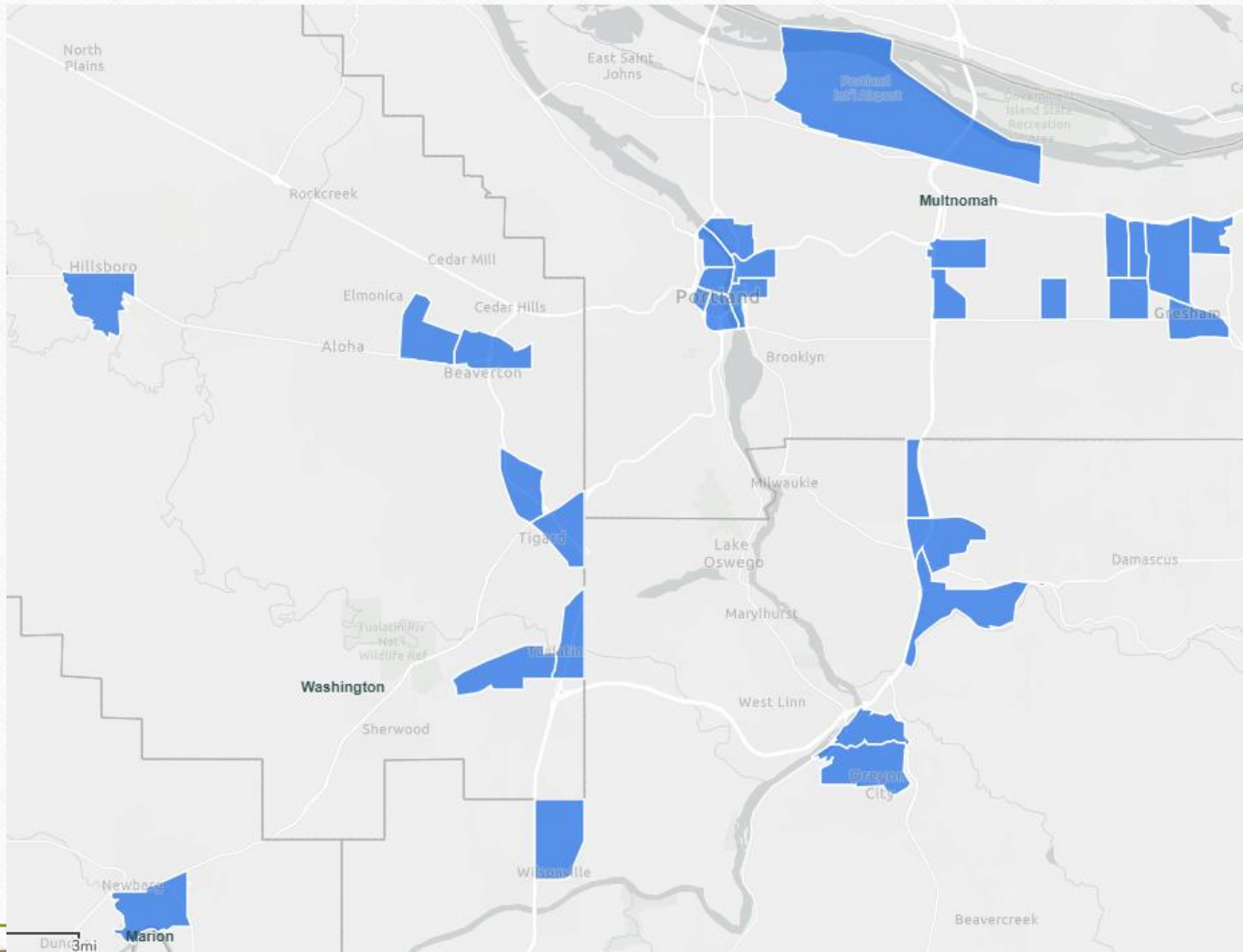
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- Passed without serious Congressional debate.
 - States given 90 days to determine the zones.
 - Oregon legislature not given time to debate.

Central Portland

Opportunity zone Goodman family available development sites Restaurant in Yelp's highest price range (\$\$\$\$)



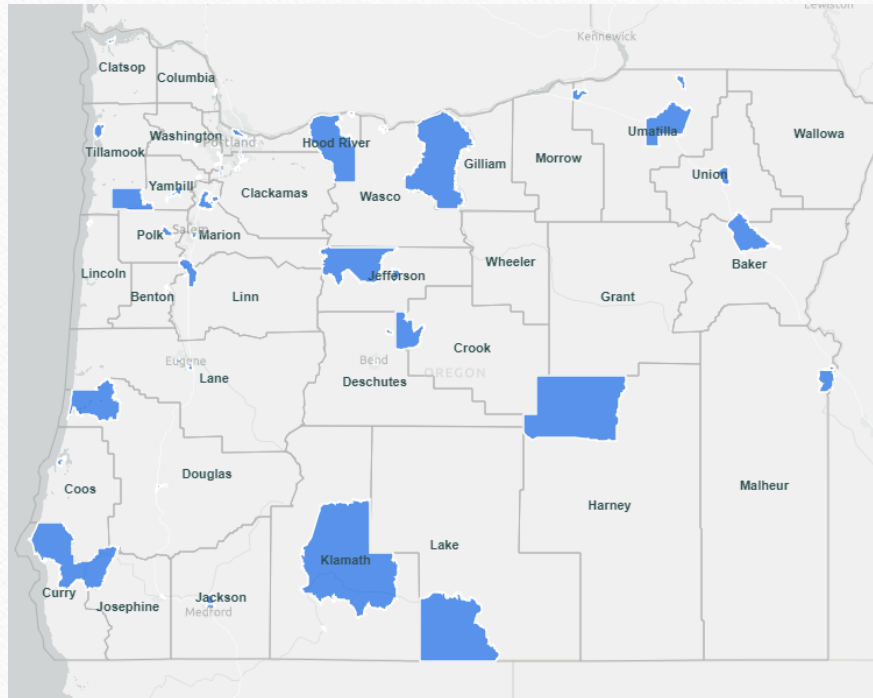
Map of Metro Opportunity Zones



Includes:

- Downtown
- Airport district
- Beaverton – Nike
- Hillsboro
- Tigard –
Washington Square
- Oregon City
- Tualatin –
Bridgeport Mall

Oregon Opportunity Zones

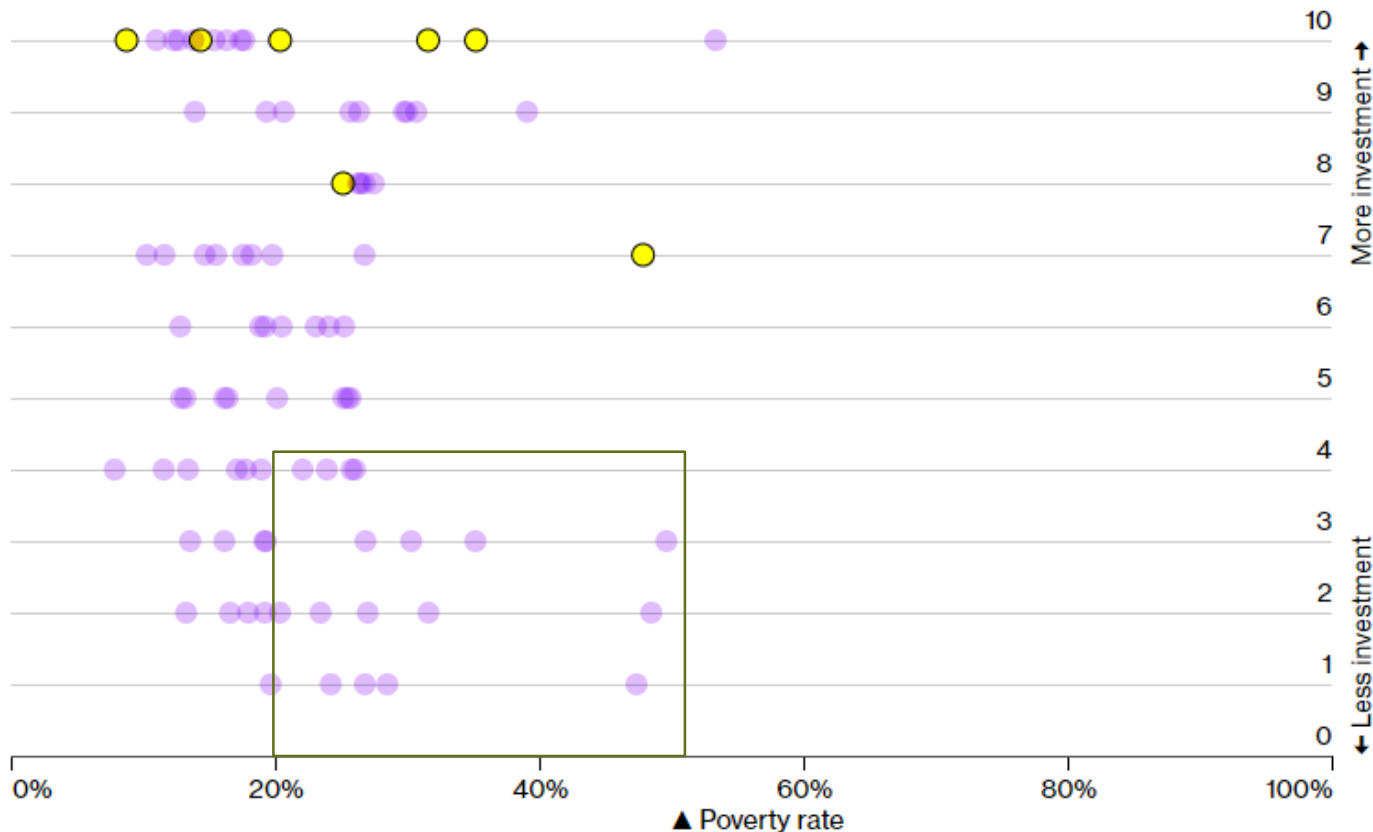


Census tracts by poverty level and investment

The central Portland tracts had among the state's highest investment flows, according to the Urban Institute

1 2 3 4 ↻

● Oregon opportunity zone ● Central Portland opportunity zones



Only a small fraction of the zones need incentives for investments.

SOURCES: URBAN INSTITUTE, U.S. CENSUS BUREAU 2016 ACS 5-YEAR ESTIMATES
THE URBAN INSTITUTE DEVELOPED AN INVESTMENT FLOWS SCORE FOR OPPORTUNITY ZONES FROM ONE (LOW) TO 10 (HIGH) BASED ON COMMERCIAL LENDING, MULTI-FAMILY LENDING, SINGLE-FAMILY LENDING AND SMALL BUSINESS LENDING BETWEEN 2011 AND 2015.

What Others are saying:

- **“Opportunity Zones could be the single biggest tax break in decades”** Gaurav Agarwal, Accounting Today 8/18/18
- **“This is the biggest initiative of this type by the federal government with the least debate, the least staff support, the least research and still the least clarity,”** said Eric Garcetti, the mayor of Los Angeles.”

What Others are saying:

“the deferral in capital gains tax on an investment rolled into an Opportunity Fund could be roughly equivalent “to cutting that tax bill in half,” while the tax savings on the new investment “was like getting 33 percent more profit,” Because Oregon law conforms with federal tax law, Brown added, “you save on Oregon taxes as well as federal.”

David Brown, Partner Obsidian Opportunity Fund Portland Business Journal, June 25, 2018

Concerns

- **Initial revenue drain modest, but will grow**
- **Most investments a gift to the investor class**
- **Over building in Portland, under investment in Klamath Falls and Umatilla**
- **Zone boundaries arbitrary, unfair**

Policy Recommendation Options

- **Disconnect completely. Federal provisions will provide incentive.**

OR

- **Disconnect on zones with poverty rates below 20% or above median on investment scale.**

Benefits to Investors

- Investors may reinvest capital gains from existing investments into an Opportunity Fund and defer capital gains taxes
- After the investment is held for 5 years, the tax basis in the original investment is increased by 10%, and after 7 years, the tax basis is increased by an additional 5% for a total of 15%
- After 10 years, investors permanently avoid any capital gains tax on the post-acquisition gains
- These tax benefits also include increased expensing and depreciation.