

Low Tax Opportunity Zone FAQ

Q: What is a Low Tax Opportunity Zone?

A: Opportunity Zones, as established in the federal Tax Cut and Jobs Act of 2017, encourage long-term investment and job creation in targeted communities by reducing taxes for job creators. Opportunity Zones maintain their designation for 10 years. The program encourages private investment in these zones by providing a tax incentive for investors who invest in qualified businesses and property in these areas.

Investors, such as businesses, developers and financial institutions that invest in targeted areas can defer capital gains taxes through investments in federally-established Opportunity Funds.

Q: How was the Opportunity Zone program created?

A: The Opportunity Zone program was created as a part of the Tax Cuts and Jobs Act of 2017, signed by President Donald Trump in December 2017.

Q: Who determines Opportunity Zones?

A: The act allows the Governor of each state to nominate up to 25 percent of eligible census tracts as Opportunity Zones. States then submit their nominations to the U.S. Department of the Treasury, which has 30 days to certify the Opportunity Zones or provide further guidance to the state.

Q: What are census tracts?

A: Census tracts are small, relatively permanent statistical subdivisions of a county that are updated before each U.S. Census. The U.S. Census counts every resident every 10 years. Census tracts average about 4,000 people. A census tract usually covers a geographically contiguous area. For example, in urban areas, census tracts correspond roughly to neighborhoods.

Q: How many census tracts can Florida nominate?

A: Florida can nominate 427 census tracts based on the federal requirements for this program.

Q: What are low-income census tracts?

A: The poverty rate for each census tract is based on how household income compares to the national thresholds calculated by the Census Bureau. A census tract is designated as a Low-Income Community when 20 percent or more of households in the

tract fall below the poverty line (for their household size) or the median family income in the tract is below 80 percent of the statewide median income.

Q: What is a contiguous tract, and were those included in the nomination?

A: The tax bill allowed 5% of tract nominations to be tracts that did not meet the low-income designation but were contiguous, or next to, other tracts that did meet the criteria. Florida chose not to nominate contiguous tracts so that the areas with the most need could be designated.

Q: How were Opportunity Zones chosen to be nominated?

A: DEO's economists used a combination of data and project requests to determine the Zones. A statistical model was created using census tract data and other economic indicators, such as poverty level, unemployment rates and population density. DEO used a proportional method of nominating tracts so that every county received at least one census tract nomination. Finally, DEO incorporated into the model requests from city and county governments, regional planning councils, nonprofits, investors, developers and others.

Q: Why were some requests not included as an Opportunity Zone?

A: DEO received requests for more than 1,200 census tracts, which is more than the 427 the state can nominate. Feedback was incorporated as much as possible, and balanced with the economic analysis. For example, a request in an area with very low unemployment may not have been chosen.

Q: How do Florida communities benefit from the Opportunity Zone program?

A: Counties across Florida benefit from having another tool in their economic development toolbox. From rural communities to urban areas, this program will allow investors to strategically invest in targeted communities. This will build on each county's economic development plan, bringing more jobs and capital investment into every county across Florida.

Q: What are the next steps?

A: The U.S. Department of the Treasury has 30 days to certify that the nominated tracts meet the criteria in the law. The Internal Revenue Service intends to start a rulemaking process to designate Opportunity Funds to be eligible to invest in these zones. More information about this process can be found here:

<https://www.irs.gov/pub/irs-drop/rp-18-16.pdf>

<https://home.treasury.gov/news/press-release/sm0283>

<https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx>

Bill Text: <https://www.congress.gov/115/bills/s293/BILLS-115s293is.pdf>

Q: What is Florida's role in the Opportunity Zone program moving forward?

A: The legislation provides Florida the ability to nominate census tracts for the designation of Opportunity Zones. Opportunity Funds and their investments will be private-sector driven. Once a zone is certified by the U.S. Department of the Treasury, local communities will promote their Opportunity Zones to qualified Opportunity Funds in order to secure investments and bring additional economic development to local businesses and families.

Q: What are Opportunity Funds?

A: Opportunity Funds will be designated through the U.S. Department of the Treasury and the Internal Revenue Service as eligible based on rulemaking that has not yet taken place. The Opportunity Funds must invest 90 percent of their fund in Opportunity Zones to receive the tax benefits, which will vary depending on the number of years the investment is held in the Zones.