

FOR IMMEDIATE RELEASE

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OPPORTUNITY ZONE BRINGS INVESTMENT & DEVELOPMENT POTENTIAL TO LINCOLN COUNTY

(November 26, 2018) Last December President Trump signed into law the 2017 Tax Cuts and Jobs Act. The Act included a new economic development incentive that targets private investment - Opportunity Zones. Opportunity Zones offer incentives specifically intended to help revitalize low-income population areas that suffer from a lack of investment and business growth.

The unique investor incentives tied to Opportunity Zones pertain to capital gains from long term investment. Incentives include 1) tax deferral on capital gains through 2026; 2) tax reduction on capital gains at five and seven years; and 3) elimination of taxes on capital gains if held for ten years.

There are two key components to the new legislation – Opportunity Funds and Opportunity Zones. Opportunity Funds are investment vehicles created for the purpose of investing in Opportunity Zones. Funds are organized as corporations or partnerships for Federal tax purposes and will be certified by the Treasury Department. To qualify for deferral, individuals can invest capital gains into a Fund which then makes equity investments in business partnerships and business property within qualified Opportunity Zones. Funds can be formed at a local level and investors do not have to live, work, or own a business in a Zone to participate and take advantage of the tax benefits. The Treasury and IRS have released proposed regulations and a draft is in a public comment period now through mid-December after which final regulations will be released.

The 2017 legislation allowed every state in the nation to designate 25% of their low-income population census tracts as qualified Opportunity Zones. For Washington that meant 139 out of 555 eligible tracts could be designated. Based on population, Lincoln County was allowed to submit only one tract. The census tract that coincides with Commissioner Stedman's district and contains the communities of Sprague, Odessa, and Harrington was the strongest candidate for the selection criteria and intent. Upon consent from the Board of County Commissioners, the Economic Development Council submitted the tract for consideration. The request was approved by Governor Inslee under a nomination process that ended last June and the tract is now a qualified Opportunity Zone and will retain that designation for ten years.

Investors are expected to favor urban Opportunity Zones, however Lincoln County has some inherent incentives that could be attractive, especially since the tax benefits are time sensitive. Because of our slow growing population, Lincoln County elects not to plan under the statutes that make up the Growth Management Act with the exception of critical areas, natural resource areas, and shorelines. This alleviates some of the regulatory burden faced in urban areas and gives Lincoln County more flexibility when it comes to land use decision making and project permitting. Additionally, Lincoln County businesses benefit from the affordability that is characteristic of rural areas.

Again, investors do not have to live, work, or own a business in a Zone to take advantage of these tax benefits. If you would like to read and comment on the draft regulations you will find them at <https://www.irs.gov/newsroom/treasury-irs-issue-proposed-regulations-on-new-opportunity-zone-tax-incentive>. The Economic Development Council is happy to answer questions about the program and has shared this news with the county's financial institutions and with elected officials within the Zone. You can also access Opportunity Zone information on our website at www.LincolnEDC.org by clicking on the Business Resources tab. Contact EDC Director Margie Hall at the Lincoln County Economic Development Council by email at Margie@LincolnEDC.org or by phone at 509-368-7085.