

# Federal Opportunity Zone Program Under Investigation by Treasury's Internal Watchdog

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Acting Treasury Inspector General Richard Delmar told NBC News on Thursday that the Treasury Department's internal watchdog plans to investigate the federal opportunity zone program after a number of bipartisan legislators expressed concerns about the program that seeks to spur economic development in low-income areas across the country.

Last November, U.S. Senators Cory Booker (D-NJ) and Ron Wyden (D-OR), along with Representatives John Lewis (D-GA) and Richard Neal (D-MA), called on the Government Accountability Office to study the opportunity zones tax incentive program following what they claim were "multiple reports of possible wrongdoing by senior administration officials in implementing the 2017 tax incentive program."

Representative Rashida Tlaib (D-MI) also sent a letter to the chairmen of multiple House committees to request



investigative hearings into whether political campaign contributions influenced the designation of opportunity zones in her district and across the country. She later introduced legislation to repeal opportunity zones from the United States tax code.

Then last month, a group of Republican Senators introduced the IMPACT Act, a bill to reinstate and expand reporting requirements to determine the impact of opportunity zone investing.

The IMPACT Act, or improving and reinstating the monitoring, prevention, accountability, certification, and transparency provisions of opportunity zones, requires the funds to report information on the value of total assets held by the fund, the location and value of opportunity zone property, the number of people employed through the investments, and other measurements that allow the IRS to track both the deferral and recognition of gains, among other things.

The bill also includes penalties for both individuals and funds that fail to accurately and appropriately file the required returns or statements and penalizes anyone who attempts to take advantage of the tax incentive for fraudulent purposes.

In late October, the Treasury Department and the IRS released a proposed reporting requirement for opportunity zone funds for the 2019 tax year, which is designed to collect and monitor the amount of investment received by different census tracts over time.

“We want to understand where opportunity zone investments are going and strengthening the economy so that investors and communities can learn from the successes of this bipartisan, pro-growth policy,” Treasury Secretary Steven Mnuchin said at the time.

The opportunity zones program was based on bipartisan legislation authored by Senators Booker and Tim Scott (R-SC), and Congressman Ron Kind (D-WI) to incentivize private investments in certain distressed communities by offering potentially significant tax breaks to investors who reinvest unrealized capital gains in these areas.

Investors may be able to defer capital gains through 2026 and receive up to a 15 percent tax reduction on current gain, as well as eliminate capital gains taxes on any returns generated by the opportunity zone investment, if it is held for at least 10 years.

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