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Chairman Terhar, Vice Chair Roegner, Ranking Member Williams, and members of the Committee, thank you for the opportunity to provide sponsor testimony on Senate Bill 8, which authorizes tax credit for investment in opportunity zones in Ohio.

- SB 8 piggybacks on the recently enacted Federal Opportunity Zone law that passed in December 2017 and guidelines were released late last year in the fall of 2018.
- The Federal law is designed to incentivize investment in certain economically distressed areas of our nation. The law allows states to identify up to 25% of economically distressed census tracts as opportunity zones. Ohio was approved for its full allocation of 320 such zones.
- Under the Federal Opportunity Zone law, preferential treatment is given to a taxpayer who invests his or her capital gains in an Opportunity Zone Fund.
- However the federal law does not specify where the investment is made, in theory it could be made anywhere in the United States. In other words, an Ohio Opportunity Zone Fund or an Ohio investor could invest money in any Opportunity Zone Fund in the U.S. and still be eligible for the federal tax advantages under the federal Opportunity Zone law.
- SB 8 is designed to add an additional Ohio tax advantage to encourage Ohio tax payers to invest in an Opportunity Zone Fund that is exclusively used for an Ohio Opportunity Zone.
- The bill establishes a two tier tax credit. The first tier is a 1% tax credit when an Ohio taxpayer invests \$250,000 or more in a qualified opportunity zone fund.
- The second tier is an additional 2% tax credit is available five years after the completion of a qualified Opportunity Zone project if it can be shown that the new state and local taxes

generated from the project during the five year period actually exceeded the amount of the First Tier credit.

- The purpose for the second tier credit is to add an extra incentive that can generate a return on investment for state and local government by realizing a net tax gain.

In summary Mr. Chair and members, SB 8 is designed to incentivize investment in Ohio to foster economic development, create jobs and generate more state and local taxes.