



**Senate Ways and Means Committee
Testimony on Senate Bill 8
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Chairman Terhar, Vice Chair Roegner, Ranking Member Williams, and members of the committee, my name is Alesha Washington and I am the Vice President of Government Advocacy for the Greater Cleveland Partnership (GCP). We at GCP would like to offer our support of Senate Bill 8, which would authorize income tax credits for taxpayers that invest in Ohio Opportunity Zones.

GCP is the largest chamber of commerce in the country with more than 11,000 small, mid-market and large member companies. Our mission is to mobilize private sector leadership, expertise and resources to create jobs and leverage investment to improve the economic vitality of Northeast Ohio. We do that in many ways, including through our work with Cleveland Development Advisors (CDA).

CDA – an affiliate of GCP – is a well-known and respected real estate and business finance organization. Leveraging the federal and state New Market Tax Credit programs, in addition to private financing, CDA invests in targeted, catalytic economic development projects that create jobs and improve neighborhoods throughout Greater Cleveland. We have been doing this work for more than 25 years.

It is through this lens that we offer support for Senate Bill 8. The Opportunity Zones program was enacted into law as a part of the 2017 Tax Cuts and Jobs Act. The goal of the program is to create an incentive for community and business development in distressed communities across the country. GCP has been actively involved in ensuring Greater Cleveland is well positioned to benefit from the Opportunity Zones program. We served as a convener for public and private partners in Cuyahoga County to recommend census tracts to the state for consideration as Opportunity Zones, with the majority of our recommendations being accepted. We are now in the process of working with the City of Cleveland and Cuyahoga County on the necessary economic development tools to make sure we can attract potential investors to high impact projects in our community.

We believe Senate Bill 8 offers much needed support to local economic development efforts to attract and keep potential Opportunity Zone investors interested in Ohio. We also believe that two changes should be considered

for the legislation to strengthen the ability to draw investment to high social impact projects and ensure alignment with the federal law:

Create a tiered tax incentive to maximize community impact. It is critical that there are additional incentives to invest in Ohio's most distressed neighborhoods, rather than in more "shovel ready" areas. GCP recommends a tiered approach that offers a higher tax credit for investments that meet "severe distressed" benchmarks as outlined by the federal New Market Tax Credit (NMTC) program. Severely distressed areas would be those with a poverty rate greater than 30 percent; median family income not exceeding 60 percent of statewide median; or unemployment rates at least 1.5 times the national average. We recommend that a lower tax incentive be available to investments that meet the base criteria for Opportunity Zone investment.

Ensure that state law conforms with federal law for individuals investing in Opportunity Zone funds. Currently many states are in the process of aligning their tax laws with the 2017 tax reform law that created the Opportunity Zone program. This lack of conformity makes it difficult, and can even act as a deterrent, for potential investors interested in investing in both state and federal Opportunity Zones. Without conformity or alignment between state and federal law, investors may not be able to defer or reduce state taxation on initial invested gains. These investors may also be obligated to report gains for state tax purposes on the future sale of the investment, even if gains are exempt for federal tax purposes. To ensure uniformity and a streamlined process for investors interested in supporting Opportunity Zones in Ohio, Senate Bill 8 should include language that conforms state and federal law for individual Opportunity Zone investors.

The Opportunity Zone program, when coupled with strong programs like the NMTC, has potential to bolster transformational investment and development in low-income communities. Senate Bill 8 provides an incentive to ensure we can capture and draw critical investments to our state. For these reasons, we offer our support of this legislation and look forward to working with Senator Schuring and you all to ensure its passage.

Thank you for the opportunity to provide testimony and for your support of this legislation.