



## Opportunity and Revitalization Council Visiting Federal Delegation

Background on Upcoming Event

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### Event Details:

#### **MadREP Welcome Reception**

(Please RSVP Online)

October 13<sup>th</sup> from 5:30-7:30 PM

Starting Block, 821 E. Washington Ave.

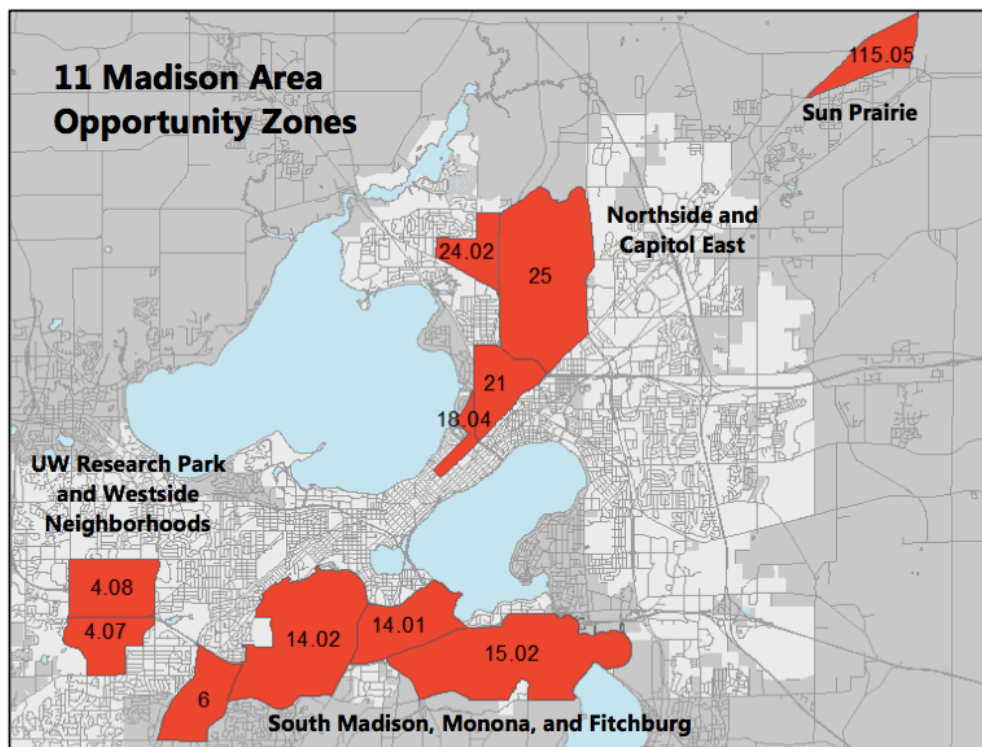
*Hosted by the Madison Region Economic Partnership, this will be an opportunity for political, business, and community leaders from the Madison area to meet with key federal officials.*

Thank you for participating in the upcoming reception with the visiting delegation from the White House Opportunity and Revitalization Council. This is to provide some additional background information in advance of the event.

### What are Opportunity Zones (OZs)?

OZs are a new economic development tool established in the 2017 tax reform law. The program provides an incentive to encourage long-term investment in federally-designated areas. These areas are defined by Census Tracts that were chosen by each state's governor and that meet certain federal criteria for being considered economically disadvantaged. Madison has 11 OZs and Sun Prairie has one.

*Note:* State legislation has been drafted to support additional state tax incentive for investment in Wisconsin Opportunity Zones.



## How Does the Opportunity Zone Tax Incentive Work?

Investors can offset capital gains taxes by re-investing gains into Opportunity Funds. These funds in turn invest in projects located within designated Opportunity Zone areas. The tax incentive has three layers of benefit:

- 1) **Temporary Deferral** – Capital Gains that are reinvested into Opportunity Funds can be deferred from paying capital gains taxes while the investor holds the fund.
- 2) **Reduction in Taxes Owed** – If an investor holds an Opportunity Zone investment for 5+ years, the tax owed on the original gain is reduced by 10%. If the investor holds the OZ investment for 7+ years, the taxable amount is reduced by 15%.
- 3) **Permanent Exclusion of Capital Gains Taxes on New Gains** – In addition to deferring and reducing taxes on previous capital gains, investors can eliminate capital gains taxes on any appreciation of the Opportunity Zone Fund itself, if the investor holds the fund for 10+ years.

## What is the White House Opportunity and Revitalization Council?

The White House Opportunity and Revitalization Council adds another layer of federal support to the Opportunity Zone program. Created by Executive Order, the Council's task is to work across agencies to target, streamline, and coordinate federal resources to direct them toward Opportunity Zones. The Council has identified 130 federal grant programs that will give preference to funding projects within Opportunity Zones. Again, this targeting of federal grants is an added element of the Opportunity Zone program that is in addition to the tax incentive.

## What does this mean for the Madison Area?

The Madison Area is well positioned to benefit from the Opportunity Zone program. The City of Madison and local partners worked together with state leadership to receive Opportunity Zone status for 11 individual Census Tracts. The designated areas encompass 21 square miles, 50,000 residents, and include portions of Madison, Sun Prairie, Monona, and Fitchburg. The Madison Area's Opportunity Zones include major redevelopment opportunities, potential sites for new employment, diverse neighborhoods, and key commercial corridors. The designated zones incorporate areas of strategic regional economic importance such as the University Research Park, the Alliant Energy Center, the Airport, Madison College's North and South Campuses, and the former Oscar Mayer Site. (See Map Below)

## What is the goal of the visit from the federal delegation?

Mayor Rhodes-Conway and her staff initiated a relationship with the Opportunity and Revitalization Council and encouraged the Council's Executive Director Scott Turner and his team to visit the Madison Area. The visit will provide an opportunity for regional partners to gain insight into how we might collectively use our Opportunity Zone designation to access federal resources in support of regional priorities such as affordable housing, transit, flood control, and economic development.

## What Federal Personnel and Agencies will be part of the visit?

These discussions will include Scott Turner, Executive Director of the White House Opportunity and Revitalization Council. In addition, we anticipate staff from other federal agencies will join the conversation, likely to include Housing and Urban Development, the Small Business Administration, the Economic Development Administration, U.S. Department of Agriculture, and the U.S. Department of Transportation.