



# MARYLAND STATE & D.C. AFL-CIO

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## **SB 113 – Opportunity Zone Tax Deduction Reform Act of 2021 Senate Budget and Taxation Committee January 26, 2021**

### **SUPPORT**

**Donna S. Edwards  
President  
Maryland State and DC AFL-CIO**

Chairman and members of the Committee, thank you for the opportunity to provide testimony in support of SB 113 – Opportunity Zone Tax Deduction Reform Act of 2021. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 340,000 union members in the state of Maryland, I offer the following comments.

With the passage of the Tax Cuts and Jobs Act of 2017, The Opportunity Zone Program was created, providing federal tax incentives for investment in distressed communities over ten years. The concept was simple and was entered into with the idea of “lifting up” economically areas around the country by giving incentives to invest in those areas, thus creating more and better jobs.

However, with no real job creation standards by which to judge success, nor any solid data on the totality of the economic impact of the program, finding who truly benefits from Opportunity Zones (OZ) can be an opaque endeavor. According to a 2020 study by the Urban Institute, on the efficacy of the OZ program, that found that *“although there are compelling examples of community benefit, the incentive as a whole is not living up to its economic and community development goals. The incentive’s structure makes it harder to develop projects with community benefit in places with greatest need. In contrast, OZs are providing the biggest benefits to projects with the highest returns, which are rarely aligned with equitable development.”*<sup>1</sup>

Moreover, and even more damning of the OZ program, the study finds that it is spurring relatively little job creation, while disproportionately helping high-profit real estate projects and not small businesses. So many questions have arisen from this program, that earlier in 2020, the

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<sup>1</sup> [https://www.urban.org/research/publication/early-assessment-opportunity-zones-equitable-development-projects/view/full\\_report](https://www.urban.org/research/publication/early-assessment-opportunity-zones-equitable-development-projects/view/full_report)

Treasury Department's inspector general opened an inquiry into the program, at the request of three Federal lawmakers.<sup>2</sup>

We do not need to continue subsidizing this program in the State of Maryland, by keeping our wagon hitched to a potentially problematic Federal program. Passing SB 113 will decouple Maryland tax law from Federal tax law, allowing us to continue to collect the Capital Gains taxes at the state level.

If, in the future, the OZ program is truly fixed, with full accountability and measurable success, along with a track record of sustainable good jobs creation, it might be prudent to realign state tax law with Federal law. Until that time, it is imprudent to spend the tax dollars of Maryland's workers on a program that is opaque and riddled with controversy.

**We urge a favorable report on SB 113.**

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<sup>2</sup> <https://www.nytimes.com/2020/06/17/business/trump-opportunity-zone-jobs.html>