



VIEW*S* & VISIONS

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Opportunity Zones and New Markets Tax Credit Programs Offer Promise for Economic Growth in West Virginia

Senator Shelley Moore Capito
United States Senate

Shelley Moore Capito was elected to the United States Senate in 2014. She is the first female U.S. Senator in West Virginia's history.

Senator Capito served West Virginia's Second Congressional District in the U.S. House of Representatives for 14 years, and as a member of the West Virginia House of Delegates for four years.

Today, Senator Capito serves on the Appropriations Committee, the Environment and Public Works (EPW) Committee, the Rules and Administration Committee and the Commerce, Science and Transportation Committee. She serves as chairman of the Appropriations Committee's Legislative Branch Subcommittee and the EPW Committee's Clean Air and Nuclear Safety Subcommittee.

A lifelong West Virginian, Senator Capito was born in Glen Dale in the northern panhandle. She holds a bachelor's degree in zoology from Duke University and a master of education degree from the University of Virginia.

We are more than halfway through 2018 and West Virginia's economy is on the rise. According to the Bureau of Economic Analysis, West Virginia's per capita income grew 3.4 percent in 2017, outpacing the national increase by a point. The increase in the state's gross domestic product was near the top in the nation. I am confident that the Tax Cuts and Jobs Act will only enhance this progress by providing small businesses with more capital to invest and expand their operations.

One provision of the tax bill that I am especially excited about is the Opportunity Zone program, based on legislation I co-sponsored with South Carolina Senator Tim Scott. The premise of this program is simple. For too long, the vast majority of capital investment in this country has been concentrated in just a few areas. Major cities are thriving, while the rest of the country is experiencing meager growth, stagnation or, in some cases, decline. In fact, according to the Economic Innovation Group, fully 50 percent of national job growth between 2010 and 2014 occurred in just two percent of U.S. counties. Opportunity Zones allow significant investment to be targeted toward distressed communities that desperately need capital.

In May, Governor Justice and I announced the designation of 55 census tracts in 29 counties across West Virginia as Opportunity Zones. These census tracts cover portions of the entire state, including both panhandles, our large cities and our small towns throughout West Virginia. These communities are now eligible for investment targeted towards small businesses, start-ups and mixed-use development projects from Opportunity Funds across the nation. Opportunity Fund investors will soon discover what many of us already know: West Virginia is a tremendous place to do business.

The incentive for investors to deploy funds into West Virginia's 55 Opportunity Zones is really quite simple. The program allows for a temporary deferral of capital gains tax if the investor deploys existing capital gains into an Opportunity Fund and holds the investment for a set period of time. After five years, the investor benefits from a 10 percent increase in the basis of their investment, and after seven years they receive an additional five percent increase. These basis increases effectively lower their tax burden. The greatest benefit to the investor is holding on to the Opportunity Fund investment for 10 years or greater. Any capital gains they accrue from that investment will be free from any capital gains tax.

Investors from national, regional, state and local Opportunity Funds are primed to capitalize on this opportunity. By encouraging patient, long-term capital investment, West Virginia's 55 Opportunity Zones will help catalyze and leverage economic recovery and growth. It is estimated that as of the end of 2014 there were approximately \$2.26 trillion of unrealized capital gains held by U.S. investors. A very small fraction of that sum could jump-start employment and economic growth across the manufacturing, health care, technology and tourism sectors in Opportunity Zones.

The potential of this program to transform our state's economy is significant, and we must be ready to capitalize on the opportunity. A similar program that I am proud to support, but has been highly underutilized in West Virginia, is the New Markets Tax Credit (NMTC) program. Similar to the Opportunity Zone program, the NMTC program provides an incentive through the federal tax code to attract investment in distressed communities.

Unfortunately, West Virginia has not taken full advantage of this program since it was created in 2000, with the total tax credit investment and number of projects using NMTC measuring significantly behind our neighboring states. In fact, West Virginia is often considered an “underserved state” by the U.S. Treasury. This is troubling when you consider that the inclusion of NMTC funding can often lead to a 20 to 30 percent reduction in the total cost of a project.

This trend is beginning to change with increased interest in utilizing NMTC for projects and entities seeking NMTC allocation from the U.S. Treasury. In the last two years, a housing project in Wheeling, the Boury Lofts, and a revitalization of the Robinson Grand Theater in Clarksburg have been completed with the use of NMTC. These projects are helping to revitalize the downtowns of both cities. Additionally, and for the first time since the program was created, a West Virginia entity has been awarded a NMTC allocation for multiple projects across the state. In February 2018, WesBanco Community Development Corporation was awarded \$40 million of NMTC allocation, and there are more entities from the Mountain State applying for allocation this year.

In order for West Virginia’s economy to grow and prosper, we must take better advantage of programs like Opportunity Zones and New Markets Tax Credits. I am committed to continuing the work I started in November 2016 to build capacity around the state so that our community and business leaders are armed with the tools they need to succeed and make the most of these opportunities. West Virginia’s best days are ahead of us, and I am firmly committed to maximizing the use of federal incentives like these to help us realize our potential. ▾



The Boury Lofts, a Wheeling landmark located on the corner of 16th and Main Street, is a six-story, 86,000-square-foot warehouse building that has been re-purposed into 73 industrial-style loft apartments.



The Robinson Grand Theater in Clarksburg, West Virginia first opened its doors on February 7, 1913. After decades of vacancy, the restoration and renovation of the Robinson Grand was completed in the spring of 2018.