



**SPURRING ECONOMIC GROWTH IN INDIAN COUNTRY:
MAKING OPPORTUNITY ZONES WORK
ON TRUST LAND**

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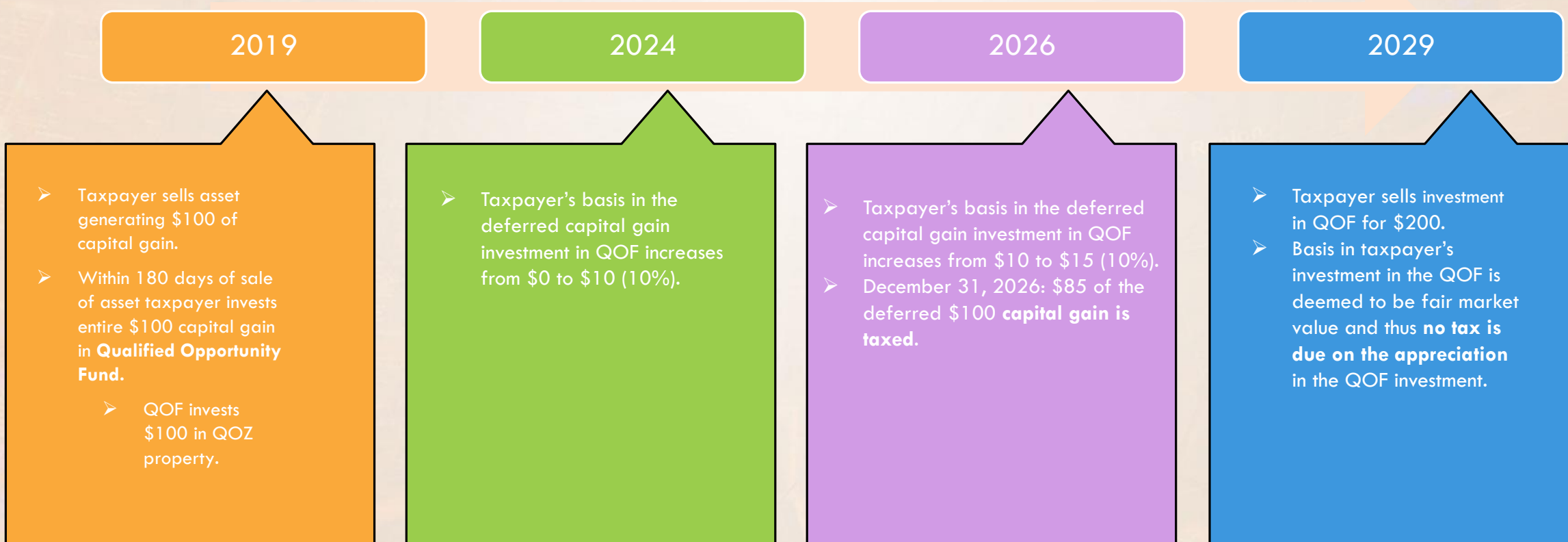
WHAT IS AN OPPORTUNITY ZONE?

- + An economically-distressed community where individuals and corporations that sell investments at a profit may in turn invest their capital gains in business or property under the Tax Cuts and Jobs Act of 2017.**
- + Communities qualify as opportunity zones if they have been nominated for designation by the state and their nomination has been certified by the IRS.**

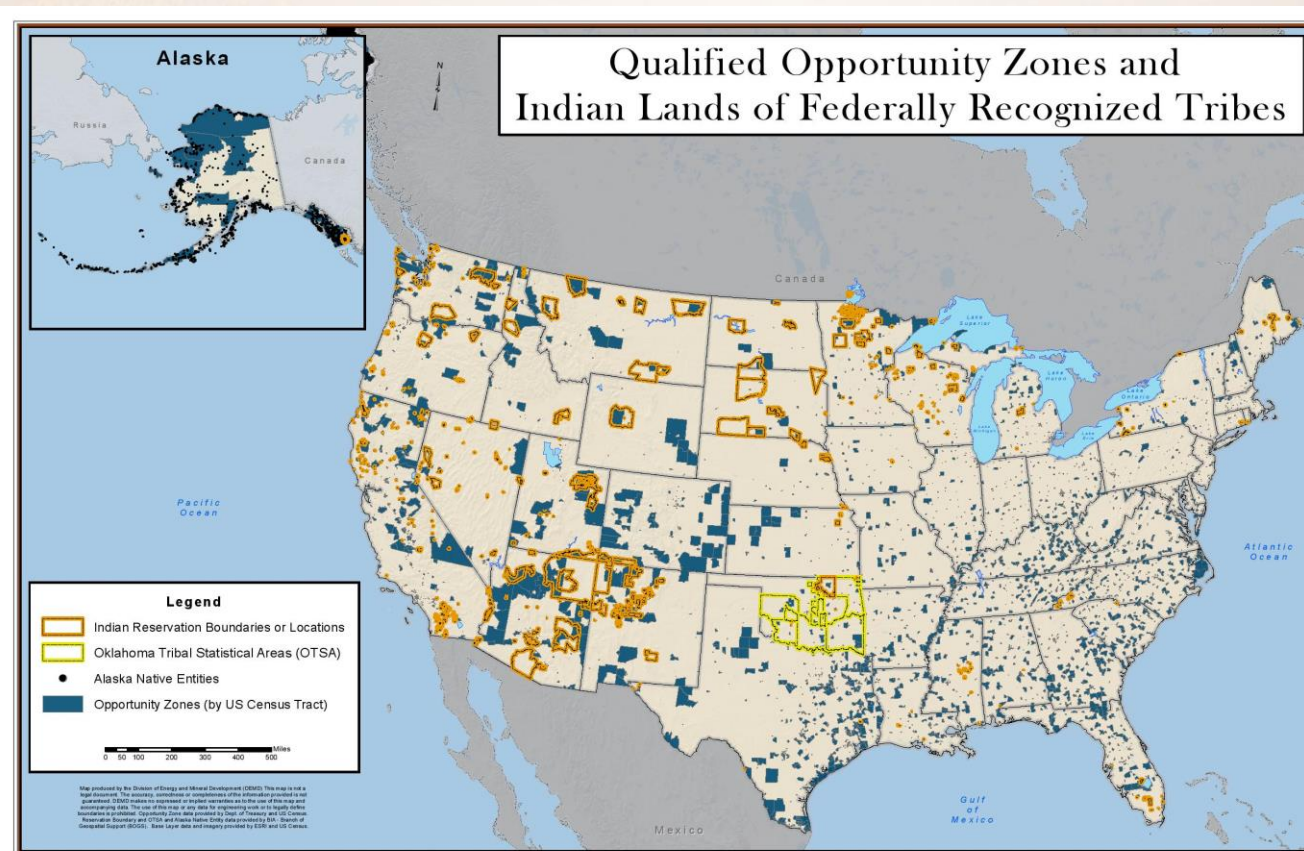
OPPORTUNITY ZONE BUSINESS PROPERTY

- + An **opportunity zone business** is a trade or business in which:
- + 50% of the total gross income of the business is derived from the active conduct of the business **and**
- + A substantial portion of the intangible property of the business is used in the active conduct of the business **and**
- + Less than 5% of the average of the aggregate unadjusted bases of the property of the opportunity zone business is attributable to nonqualified financial property.
- + There are some types of businesses which do not qualify as OZ businesses such as country clubs, massage parlors, racetracks or other facilities used for gambling etc..
- + **Opportunity zone business property** is tangible property used in a trade or business of an opportunity fund.

HOW DO OPPORTUNITY ZONES FUNCTION?



THERE ARE 8,762 OPPORTUNITY ZONES SPREAD THROUGHOUT THE UNITED STATES. 362 OVERLAP WITH INDIAN TRIBAL LANDS, INCLUDING STATE AND FEDERALLY RECOGNIZED RESERVATIONS AND TRUST LANDS, ALASKA NATIVE VILLAGES, AND TRIBAL AREAS IN OKLAHOMA.



HOW WILL OPPORTUNITY ZONES NEED TO WORK ON TRUST LAND?

1

- **Lease Valuation**
- **Eligibility Entities Inclusion**
- **Tribal Consultation**

2

- **Investment in wide range of projects**
- **Creation of secondary businesses as a result of investments**

3

- **Manage disparities between OZ and non-OZ tribal areas**
- **Ensure all eligible tribal lands are designated if continued**

2019 UPDATED IRS REGULATIONS

- ✦ On April 17, 2019 the Internal Revenue Service (IRS) released newly clarified tribal provisions to ensure tribal governments can benefit from the Opportunity Zone incentive.

Lease Valuation

Leased tangible property may be treated as Qualified Opportunity Zone business property.

Eligible Entities Inclusion

Tribal governments are included in the eligible entities that can form a corporation or partnership for Qualified Opportunity Funds.

2019 UPDATED IRS REGULATIONS

Tribal Consultation

- Treasury and IRS will **conduct tribal consultations prior to the finalization** of the regulations, in accordance with the Treasury's Consultation Policy, to ensure input is gathered directly from tribal governments on implications of the proposed regulations for Indian Country.



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RANGE OF INVESTMENTS

Tribal Housing



Tribal Energy



Tribal Agriculture





Collaboration of five Tribal Nations, four cities, two counties and two port authorities that spans 14 designated Opportunity Zones on the Olympic Coast.

Unique collaboration of tribes working closely with cities to **identify projects** such as housing, business startups, and building revitalization projects.

RURAL COASTAL PROJECTS

- Sewer system for growing Tribal resort
- Critical need for ice manufacturing facility
- Transoceanic cable landing
- Recycled forest products wood block manufacturing facility



SECONDARY BUSINESS AS AN ADDED BENEFIT OF INVESTMENT



Opportunity funds can choose to hold their assets in tangible property within an opportunity zone. The development of buildings such as hotels, apartments, office buildings, warehouses and more will lead to an **increase in jobs** in the tribal area.

Then, development or redevelopment of opportunity fund business property may lead to the **development of new business nearby** to support the primary development project. For example, construction of a multi use waterfront entertainment area could lead to new restaurants and coffee shops nearby.

MANAGING DISPARITIES BETWEEN TRIBAL AREAS

Due to the structure of the designation process, **unfortunately, many areas throughout Indian Country which are significantly impoverished were not designated as Opportunity Zones.** There will not be an opportunity for additional or revised designation at this time.

This could lead to the **widening of already existent disparities** between different tribal areas.

Tribes in designated areas should look for **collaboration** with nearby tribal entities who are not within designated opportunity zones.

Further, if the program is successful, all tribal communities could **advocate congressional leadership** to amend the Act to allow for a re-designation period in order to incorporate tribal areas that were missed by state authorities in initial designation.

BEST PRACTICES: TRIBES MUST SEEK COLLABORATION WITH STATE, LOCAL, AND REGIONAL AUTHORITIES TO ENSURE MAXIMUM BENEFIT FROM THE PROGRAM.

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