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June 30, 2019

Via Federal eRulemaking Portal at www.regulations.gov

Internal Revenue Service
CC:PA:LPD:PR (REG-120186-18), Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

RE: REG-120186-18 (Proposed Regulations on Investing in Qualified Opportunity Zones)

To Whom It May Concern:

Contained herein are comments on behalf of the U.S. Conference of Mayors in response to the above referenced Notice of Proposed Rulemaking (NPRM), Investing in Qualified Opportunity Funds, issued May 1, 2019.

The nation's mayors reiterate our priority that the Opportunity Zone provisions contained in the Tax Cuts and Jobs Act (Act) be regulated in a way that enhances new and existing business development in Opportunity Zones. While real estate development can and will represent valuable investments, business development and growth will provide longer and more sustained opportunity for economic development and job creation within the zones.

We are in agreement, therefore, with Treasury's approach to make the gross income test workable through safe harbors as outlined in the NPRM. We also support the working capital safe harbors and their availability to the development of businesses, especially operating businesses, which we believe to be extremely important in achieving the objectives of the Opportunity Zone provisions. We support the leasing provisions that should provide flexibility for business development in the zones.

We concur with the EIG Opportunity Zones Coalition's ("EIG Coalition") position that Qualified Opportunity Funds (QOFs) should be allowed twelve months to deploy funds into qualified investments, as opposed to the six-months as proposed in the NPRM for purposes of meeting the 90-percent asset test. We believe this additional period will allow QOFs to raise more capital, and provide more flexibility for QOFs to invest in new and existing businesses in zones.

We support the position that businesses should be allowed to aggregate assets for purposes of meeting the "substantial improvement" test, as opposed to the asset-by-asset approach. Regarding this test for operating businesses, we agree with proposals to adopt "aggregation safe harbors" as proposed by the American Bar Association in its comment letter of January 10th. We suggest that the Investment Decision Safe Harbor as proposed by the ABA be allowed for only operating businesses to avoid potential abuses, especially in the real estate sector.

To avoid abuse and to ensure actual economic activity occurs in the zone, we believe the intangible property test of 40% should be tied to Qualified Opportunity Zone business employees or property in the zone.

Regarding the proposal that vacant or unused land held for five-years qualifies as “original use,” we support the EIG Coalition recommendation that one-year is sufficient, if during that year the property was held on the date of opportunity zone designation. The five-year requirement could needlessly limit investment opportunities in many zones.

We applaud Treasury for including the 31- month working capital safe harbors in the NPRM and for providing extensions based on delays in governmental decisions. We believe these extensions should also apply to delays caused by severe weather events, natural or man-made disasters, including wild fires, other “acts of God,” and labor stoppages.

We concur with EIG Coalition comments regarding “real property straddles.” In many instances property that needs investment will straddle census tracts. Such straddles should not serve as a barrier to investment in the Opportunity Zone, as long as most of the property in question is located within the qualifying zone. Such investments would, without question, provide benefits to the zone consistent with the statute’s objectives.

To ensure that the statute’s objectives are met, we concur with Treasury’s general anti-abuse rule, and encourage the Department to provide additional examples of its applicability.

We applaud Treasury for developing flexible yet stringent regulations for the Opportunity Zone provisions. As mayors, we continue to believe the attraction of capital to the nation’s low- income urban and suburban neighborhoods and rural areas holds promise for their residents and communities.

We thank you for the opportunity to comment on the proposed rule. Please direct any questions to Conference of Mayors staff Dave Gatton, dgatton@usmayors.org.

Sincerely,



Stephen K. Benjamin
President
U.S. Conference of Mayors
Mayor of Columbia, SC



Tom Cochran
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