



July 10, 2023

The Honorable Kevin McCarthy
Speaker of the House of Representatives

The Honorable Hakeem Jeffries
Minority Leader of the House of
Representatives

The Honorable Jason Smith
Chair
House Ways and Means Committee

The Honorable Richard Neal
Ranking Member
House Ways and Means Committee

Dear Speaker McCarthy, Leader Jeffries, Chair Smith, and Ranking Member Neal,

The National Housing Law Project (NHLP), The National Low Income Housing Coalition (NLIHC), and the Poverty and Race Research Action Council (PRRAC) write to express our firm opposition to a provision within H.R. 3937, the “Small Business Jobs Act,” that would establish Rural Opportunity Zones. We urge Congress to strongly consider the consequences of Section 6, “Establishment of Rural Opportunity Zones,” and its apparent disregard for equitable community development standards, and vote NO on H.R. 3937.

Section 6 of H.R. 3937 would replicate the Trump-era Opportunity Zones (OZ) program in rural communities by eliminating capital gains on investments in designated rural neighborhoods for ten years. This elimination would amount to an excessive tax break for the country’s wealthiest investors, resulting in an over [\\$1 billion decline](#) in federal revenues over the next decade. While this would be a significant blow to federal debt, the impact will be much more devastating to designated communities.

Since its inception, the OZ program has been detrimental to low-income communities and communities of color. The program, originally touted as an unregulated economic growth and business development incentive, bore out as a real estate finance giveaway from the federal government. In fact, an [overwhelming share](#) of investments in the program have been used to develop market-rate multifamily residential housing. The program does not require applicants to demonstrate a commitment to helping low-income residents, provide data on the potential economic impact of their investments in local communities, or report back to the government on outcomes. Without appropriate constraints or clear anti-poverty objectives, the early results of the program were as expected: [research](#) found that more than half of initial OZ tax incentives went to one percent of the more than 8,000 original designated communities. Importantly, those communities that benefited were already rapidly gentrifying or well developed with declining shares of both people of color and low- to moderate-income residents. [Data](#) shared by the Office of Tax Analysis showed that OZs with investment had more residents with a bachelor’s degree, higher median home values, higher median incomes, lower unemployment, and lower poverty rates.

The original program has been found to have [no statistically significant effect](#) on employment, earnings, and poverty in designated zones. In fact, rather than create opportunity in distressed communities, the OZ program has promoted an inequitable and largely unregulated investment scheme that accelerates displacement among America’s poorest households and exacerbates the U.S. affordable housing crisis.



Just as the OZ program has failed to produce meaningful change in America's divested urban communities, the Rural Opportunity Zone program is sure to bring little to no relief to struggling rural communities. Instead, the Rural Opportunity Zone program promises to continue enriching real estate corporations and investors at the expense of low-income rural families. Again, the undersigned organizations strongly oppose H.R. 3937, and we urge leadership to withhold further consideration of this devastating proposal.

Thank you for your consideration. If you have any questions, please contact NHELP's Director of Government Affairs, Noelle Porter, at nporter@nhlp.org.

Sincerely,
National Housing Law Project
National Low Income Housing Coalition
Poverty & Race Research Action Council