The UNITED STATES SENATE
COMMITTEE on FINANCE
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Wyden Hearing Statement on Local Economic Development Tools

As Prepared for Delivery

The Finance Committee meets this morning to discuss smart tax policies aimed at building up local economies. Right now, the U.S. economy is red hot. Inflation is down, wages are up, and the country is in a record streak of low unemployment. Manufacturing is booming. Factories are under construction all over the place.

Even in a strong economy, there's always more to do when it comes to helping local communities that are struggling to get ahead. The tax code gives this committee a lot of tools to make that happen.

One example from years past: Build America Bonds. Initially, projections said that only a few billion dollars worth of those bonds would sell after Congress authorized them in 2009. The number wound up being more than $180 billion.

There are a lot of creative ideas out there, and Congress is facing a big tax deadline at the end of next year. Our discussion ought to begin with building on policies that are proven to work.

There's no better example than the New Markets Tax Credit. New Markets was established almost 25 years ago as a flexible way to get private investment dollars into low-income communities -- cities, towns, and rural areas.

All 50 states have benefitted from the New Markets Tax Credit. It has helped get thousands of projects off the ground. Health care and manufacturing facilities. Child care centers and schools. Retail developments and housing, including lots of affordable units. Many other examples.

But New Markets is not a permanent tax credit. It's temporary, and it'll expire at the end of 2025.

Congress has extended it on a bipartisan basis several times. We cannot allow it to get lost amid the tax code chaos coming down the pike at the end of next year.

Senator Cardin has been a champion of the New Markets Tax Credit. He's got a bill that would make it permanent and expand its value to drive even more investment to communities that need the boost. In my view, it's a no-brainer. I'm proud to support it.

New Markets is an example of an efficient, powerful tool in our tax code that works. This committee also needs to make tough choices about programs that are not working as intended.

Opportunity Zones, created in the 2017 Trump tax law, is one costly example. It was created as another way to boost struggling communities at a cost of around $1 billion. But the eligibility rules were too loose and the safeguards against waste were too lax.

The program has turned into a way to help a lot of high-wealth individuals opt-out of paying tax on investments they probably would have made with or without the Opportunity Zone incentives on the books.

There have been some success stories, but for every affordable housing development there's a casino, or a stadium or a crypto mining facility going up.

Just one percent of the areas eligible for Opportunity Zone dollars have hoovered up nearly half the invested money. More than three quarters of the O-Z funding has gone to only five percent of eligible areas. That's not a lot of shared prosperity.

It had a $1 billion price tag at the beginning. Going forward, it would cost $70 billion to extend.

There's scant evidence it's really helping to drive investment in the areas that need it most. Independent studies suggest it's failing at that goal. I suspect there will be a lot of discussion of these issues today.

A few final points. The tax exemption for municipal bonds is a key tool helping local governments finance priorities like infrastructure and utility projects. Private activity bonds are a similar tool that have helped state and local governments get affordable housing, hospitals, schools and highways built. Senator Brown has fought to protect these important tools.

The 2017 Trump tax law diminished the value of these tax exempt bonds by making it harder for state and local governments to reduce their debt. With much of the Trump law expiring next at the end of next year, there are fresh concerns that Republicans will want to go after these key financing tools once again to pay for the multi-trillion dollar cost of extending Trump's handouts to the wealthy.
That cannot happen. That would be a huge setback for our infrastructure needs and for local communities all over the country.

There's a lot more I hope the committee will discuss today. That includes the Rehabilitation Tax Credit, Senator Cortez Masto's excellent proposal to make sure Tribal governments fairly benefit from the New Markets Tax Credit, and Senator Stabenow's proposal to help cities turn empty commercial spaces into badly-needed housing. It's also important to cover how tax incentives can be combined, allowing groups to drive even more dollars into communities that need the help.

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