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## United States Senate

COMMITTEE ON FINANCE  
WASHINGTON, DC 20510-6200

March 28, 2022

Mr. Blake E. Christian  
Partner  
HCVT, LLP  
136 Heber Avenue, Suite 301  
Park City, Utah 84060

Dear Mr. Christian:

As Chairman of the U.S. Senate Committee on Finance, which has jurisdiction over federal tax matters, I am investigating the operation and effects of Qualified Opportunity Funds (Opportunity Funds), investment vehicles organized for the purpose of investing in Qualified Opportunity Zones (Opportunity Zones).<sup>1</sup> The Opportunity Zone program was established by Congress on a party line basis in 2017<sup>2</sup> and was intended “to spur economic development and job creation in distressed communities throughout the country and U.S. possessions by providing tax benefits to investors who invest eligible capital into these communities.”<sup>3</sup> Given the lack of transparency and reporting requirements for Opportunity Funds, I am writing to request information about the organization, operation and economic impact of activities in Opportunity Zones.<sup>4</sup>

I have long been concerned that the Opportunity Zone program may permit wealthy investors another opportunity to avoid billions of dollars in taxes without meaningfully benefitting the distressed communities the program was intended to help. Earlier this year, I launched an investigation into luxury real estate developments in Opportunity Zones that might shield wealthy investors from capital gains taxes in exchange for limited public benefit.<sup>5</sup> I am similarly concerned by recent reports that companies involved in cryptocurrency mining may be seeking

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<sup>1</sup> I.R.C. §§ 1400Z-1 to 2 (2018).

<sup>2</sup> Pub. L. No. 115-97, 131 Stat. 2054 (Dec. 22, 2017).

<sup>3</sup> See *Opportunity Zones Frequently Asked Questions*, Internal Revenue Service, [<https://www.irs.gov/credits-deductions/opportunity-zones-frequently-asked-questions>].

<sup>4</sup> GAO, *Opportunity Zones: Improved Oversight Needed to Evaluate Tax Expenditure Performance*, GAO-21-30, (Washington, D.C.: Oct. 8, 2020).

<sup>5</sup> *Wyden Launches Investigation into Opportunity Zones*, Jan. 13, 2022, [<https://www.finance.senate.gov/chairmans-news/wyden-launches-investigation-into-opportunity-zones>].

to avoid taxes without meaningfully benefitting distressed communities using the Opportunity Zone program.<sup>6</sup>

One of these reports attributed a statement to you in which you assert that some cryptocurrency mining investors “[have] just had this big windfall and invariably they’re looking for a way to save some money because they’re about to get drilled on short term capital gains taxes. And they want to keep rolling the dice.”<sup>7</sup> The article also reported that 15 or 20 of your clients “who have made money in the low seven-figures mining or trading cryptocurrency, have set up warehouses in opportunity zones full of powerful computers that solve equations in order to ‘mine’ cryptocurrency and lease the computing power to other customers.”<sup>8</sup> In addition, according to the same report, you believe that a client mining cryptocurrency in a South American country can qualify for a giant tax subsidy using an affiliated management company that is located in an Opportunity Zone.<sup>9</sup>

Currently, the lack of safeguards and transparency measures in the Opportunity Zone program raise the possibility that taxpayers are simply subsidizing companies involved in cryptocurrency mining. There is currently no requirement that such companies demonstrate the benefit they are providing to low-income communities they claim to help. Accordingly, I have introduced legislation to reform the Opportunity Zone program, including requiring annual, public information reporting from Opportunity Funds, and annual statements to the IRS from fund investors.<sup>10</sup> This legislation would also tighten existing rules to ensure that these incentives support new investments and do not provide tax-free gains for investments in projects that were already underway.

Given these concerns and the lack of information being provided by participants in the Opportunity Zone program to federal regulators, I request that you provide the following information and documents about the organization and operation of your clients’ investments in cryptocurrency mining projects in Opportunity Zones:

1. Please list all cryptocurrency mining projects located outside the United States that your clients are currently invested in that you believe may qualify for the Opportunity Zone program. Please provide the following information for each project:
  - a. the foreign country in which the physical cryptocurrency mining infrastructure and devices associated with the project are located;
  - b. the Opportunity Zone in which the project could qualify for eligibility in the Opportunity Zone program; and,
  - c. the reportedly “baroque” accounting through which the project could qualify for eligibility in the Opportunity Zone program.<sup>11</sup>

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<sup>6</sup> *Cryptocurrency Investors Are Cashing In On A Trump Tax Break Meant To Help The Poor*, Feb. 9, 2022, HuffPost, [[https://www.huffpost.com/entry/cryptocurrency-opportunity-zones\\_n\\_6203f0f1e4b039350e6d60fa](https://www.huffpost.com/entry/cryptocurrency-opportunity-zones_n_6203f0f1e4b039350e6d60fa)].

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Wyden Introduces Legislation to Reform Opportunity Zone Program*, Nov. 6, 2019, [<https://www.finance.senate.gov/ranking-members-news/wyden-introduces-legislation-to-reform-opportunity-zone-program->].

<sup>11</sup> *Cryptocurrency Investors Are Cashing In On A Trump Tax Break Meant To Help The Poor*, Feb. 9, 2022, HuffPost, [[https://www.huffpost.com/entry/cryptocurrency-opportunity-zones\\_n\\_6203f0f1e4b039350e6d60fa](https://www.huffpost.com/entry/cryptocurrency-opportunity-zones_n_6203f0f1e4b039350e6d60fa)].

2. Please list all cryptocurrency mining projects in Opportunity Zones that your clients are currently invested in and provide the following information for each project:
  - a. which Opportunity Zone the project is located in;
  - b. how much money is invested in the project;
  - c. how many temporary jobs the project will create; and,
  - d. how many permanent jobs the project will create.
3. For each project listed in response to question two, please explain to the best of your knowledge:
  - a. how and when your client conceived or learned of the project;
  - b. if your client chose the site of the project, how your client selected it;
  - c. the extent to which your client's investments in other projects were redirected to the project because the project is in an Opportunity Zone;
  - d. how long after the date of your client's investment your client intends to maintain the investment; and,
  - e. what tax benefits your client expect to receive as a result of the project's eligibility for the Opportunity Zone program.
4. For each project listed in response to question two, please indicate if prior to December 22, 2017—with or without the involvement of your client—to the best of your knowledge:
  - a. any party created any fixed record of the project's conception (e.g., MOUs, business plans, renderings, drafts of designs or plans, etc.), and, if so, please provide copies of any such fixed records you possess;
  - b. any party had sought or received capital investment for the project;
  - c. any party had solicited investors or customers for the project;
  - d. any party had commenced formal planning for any construction related to the project; or,
  - e. any party had begun construction related to the project.
5. For each project listed in response to question two, please indicate if your client advocated—either directly or indirectly using any medium—for the nomination by public officials of the Opportunity Zone in which the project is located.
  - a. For each project which your client advocated for inclusion of the project site in an Opportunity Zone, please explain when, how, and to which public officials your client advocated, and provide copies of any written communications relevant to the advocacy.
6. For each project listed in response to question two, please provide the following information for each project:
  - a. the total number of investors that could potentially benefit, directly or indirectly, from the project's eligibility for the Opportunity Zone program; and,
  - b. the number of American persons, American entities, foreign persons, and foreign entities of which that total number of investors is comprised.

I ask that you provide the requested information as soon as possible but no later than April 11, 2022. If you have any questions you may contact my Senate Finance oversight staff at 202-224-4515. Thank you for your prompt attention to this matter.

Sincerely,



Ron Wyden  
Chairman  
Committee on Finance