The Impact of Opportunity Zones on Commercial Investment and Economic Activity

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Abstract

A provision of the Tax Cuts and Jobs Act of 2017 offered tax incentives for investing in certain low-income areas in the United States called Opportunity Zones. The goal of this provision was to spur private investment in OZs in order to improve the economic well-being of their residents. Using a regression discontinuity design and data on the universe of all significant commercial investments in the United States, we find that OZ eligibility led to no statistically significant increase in investment in OZs.

We can rule out at the 95 percent confidence level an increase in the probability of investment of more than 1.3 percentage points (4.9%), an increase in the number of annualized investments of more than 0.01 (6.7%), and an increase in annualized dollars of investment of more than $0.16 million per census tract (8.2%). These findings are supported by data from Mastercard that show no evidence of increased business activity nor consumer spending. Overall, our findings suggest that the impact of the OZ place-based investment incentives on economic improvement has thus far been limited.