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OHIO OPPORTUNITY ZONES ECONOMY SURGES TO $1 BILLION

ANDREW DOUP

Central Ohio entrepreneurs are increasingly launching their business ventures in opportunity zones (OZ) to draw private investors looking for yield. According to state public records, in 2022, 373 investors placed $421 million into Ohio OZ business ventures throughout the Buckeye State, nearly doubling the amount of private OZ investment from the previous year and pushing the total investment amount to over $1 billion since program inception in 2019. This activity is consistent with reports that private investors have placed an estimated $34 billion into opportunity zone business ventures nationwide since 2018.

Opportunity zones are a federal tax incentive that offers tax-free private equity investment into the communities that need it most, and Ohio is unique on a national level in that it is the only state to offer a complementary 10 percent income tax credit on amounts invested into Ohio opportunity zone property. Under Ohio law, and in contrast to the federal rules, investments of both pre-tax capital gain and post-tax cash are equally eligible for the award, and as soon as within four months of the investment.

Here are four things investors need to know about the Ohio OZ tax credit program:

1. The application window is in January and July of each year for investments made only during the previous six-month period.

2. The program is capped at $50 million for fiscal year 2024 and awarded on a first-come, first-served basis.

3. The tax credit certificate must be used within two years of issuance, with unused amounts carried forward for up to five years.

4. Certificated amounts are freely transferrable, meaning all or any portion may be sold for an immediate cash return on the OZ investment.

There are strict procedural rules for investors who intend to qualify for Ohio OZ tax credit eligibility. For example, an applicant's investment must be made through an Ohio qualified opportunity fund, and the Ohio qualified opportunity fund must hold 100 percent of its assets in Ohio qualified opportunity zone property.

Similarly, there are strict timing rules for investors who intend to qualify for the federal OZ income tax incentives. For example, investments of pre-tax eligible gain must be made into a qualified opportunity fund within 180 days of the date giving rise to the capital gain tax liability (e.g., sale of a capital asset), and a subsequent investment by a qualified opportunity fund into tangible business property must be used to either place the property in service of a trade or business or otherwise to substantially improve the investment property.

Investors should consult with their professional advisors on qualification for federal and state OZ income tax incentive eligibility.

Andrew P. Doup, Esq. is a nationally ranked Top 25 attorney for opportunity zone transactions. He advises investors, developers, entrepreneurs, and fund managers on organizational and capital raising strategies, as well as application and transfer of Ohio OZ tax credit certificates. Contact Andrew P. Doup at (740) 504-3198 or andrew@syndicationcounsel.com.

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2023 WORKFORCE PLANNING AMIDST ECONOMIC UNCERTAINTY

LISA KATHUMBI & ALIAH HASAN

On the heels of a global pandemic, a fundamental change in the employer-employee relationship, and one of the most competitive job markets in generations, employers face a new challenge - an uncertain economy. To understand how mixed messages regarding the economy are affecting workforce management and planning, in February 2023, Littler surveyed over 450 in-house lawyers, C-suite executives, and HR professionals from across the United States in a variety of industries, including technology, manufacturing, retail and hospitality, and healthcare.

Based upon the Littler survey results, employers have a high level of confidence in the current state of their businesses but remain concerned about broader economic conditions. Most employers Littler surveyed (76%) responded with resounding optimism, with larger employers (those with over 10,000 employees) responding with slightly more confidence than smaller companies (those with less than 500 employees) (78% versus 72%). Despite confidence in their own businesses, more than three-quarters of employers surveyed expressed concern regarding the impact of a potential economic downturn on workforce management and planning– either to a large (22%) or moderate (55%) extent.

While economic uncertainty is driving caution in hiring for some employers, layoffs are not yet widespread. A quarter of respondents to the Littler survey (24%) say they have started workforce reductions/layoffs, but most respondents say they are not planning or even considering them. Some employers are avoiding layoffs by reducing excess overhead through controlled spending and natural attrition. Thus, while "loud layoffs" by tech companies have grabbed headlines, they do not reflect the climate across other industries.

Locally, the Ohio job market has experienced recent positive trends. The private sector added 12,600 jobs in January 2023 and in February 2023, Ohio saw a 12-month percentage increase in jobs at 1.4% across all non-farm industries. Columbus experienced a 0.7% increase over the same period. In Central Ohio, a diversified economy may provide cushion from an economic downturn. However, employers continue to struggle with a labor shortage, providing perhaps another reason for employers to remain cautious about any potential layoff decisions while economic forecasts remain uncertain.

Caught between navigating economic headwinds and recognizing a need to retain talent and grow business, there is no one-size-fits-all solution to workforce management and planning. However, as employers forge ahead, it will be important to not lose sight of the lessons learned during the pandemic.