October 15, 2024

Dear Chairman Kelly and Members of the Community Development Tax Team,

Thank you for your commitment to learning about tax policies that support new businesses and the communities in which they grow. I am the co-founder and CEO of Event Vesta Inc, an event discovery and promotion platform located in the Hinge opportunity zone in Ralston, Nebraska in the Omaha metro. Vesta is a certified opportunity zone (OZ) business, and without this designation and the associated incentives for investors, I can confidently say my company would not exist today. As you work through tax reform in the upcoming Congress, I encourage you to reauthorize opportunity zones and reform them so they provide greater benefits for qualifying businesses located within.

As a startup located in a largely rural state, attracting investment is a unique challenge, when most venture dollars are invested in startups in a select few technology hubs outside the Midwest. Vesta launched in 2019, quickly followed by the onset of the COVID-19 pandemic. As an events-focused platform trying to grow during a period when events were almost non-existent, finding investors became almost impossible.

During COVID we pivoted to working with digital and outdoors events outside of Omaha but that pivot, and the limited amount of PPP funding we were eligible to receive, would not have been enough alone to survive the pandemic.

However in late 2020, our largest investor and board member was looking to make OZ investments and were impressed with our grit and tenacity in spite of the business environment we faced. The investment we received because we are an opportunity zone business was our lifeline, enabling us to ride out COVID and rapidly expand in early 2021 when the pandemic started receding.

Vesta continues to be located in Ralston, in the Hinge opportunity zone. We've remained in the same OZ because of the density these programs drive, creating an environment that enables us to attract top talent. The OZ we operate in is a great example of how this program, when done right, can inspire public-private partnerships that create greater outcomes for everyone— as the city of Ralston is collaborating with private businesses to live up to the OZ goal of re-vitalizing these areas. In this case, OZ status has helped to transform a 100 year old industrial zone into a cutting edge tech hub and a renewed center of the Ralston community. Which in turn helps us be more competitive in recruiting talent and bringing continued job growth to the area.

Since receiving that initial investment, Vesta has employed a total of 14 people over the years. We've completed the Minnesota Twins Accelerator by Techstars, have raised over $1 million in venture capital and were named the Omaha Startup of the Year in 2021. We've expanded into over 200 cities across the US promoting over 50,000 events ranging from some of the most notable sporting and music brands to smaller events hosted by hundreds of local small businesses and nonprofits from coast to coast. None of which would have been possible without the OZ program and the types of investment it incentivized.

Vesta is an example of opportunity zones succeeding. It is crucial Congress continues to support this program for our continued success and for countless other startups which benefit from investment because they are an OZ business. But there is also room for reform—particularly so businesses receive benefits directly from being located in an opportunity zone and growing. Right now, all of the incentives are for the investors. While these incentives are crucial to helping drive funds to startups, in order to drive more businesses to OZs, there should be more incentivization for businesses to launch or relocate and expand in these areas without even requiring outside investment. Policymakers could consider a number of options, including providing the same opportunity zone capital gains benefit that applies to sale to equity holders like founders and employees. And policymakers could also explore introducing other tax credits, especially refundable credits, to incentivize businesses to remain in OZs.

Another issue tax writers should explore reforming is the length of the eligible investment window. When you examine how private investments occur in venture environments, it is a challenge to take on capital within the current 180 day window afforded to potential investors with a capital gains event. At Vesta we were lucky—our investor had a recent capital gains event and we were also fundraising. But if this window had been longer, I believe we would have received more OZ investment. Policymakers should also examine the step up in basis for previously earned capital gains that are invested in OZ businesses. To take advantage of this benefit, investors will have had to reach the 5 or 7 year holding period benchmarks by 2026. And to be eligible to not pay tax on 10 percent or up to 15 percent of deferred capital gains, investors had to invest by the end of 2021. This means that after 2021, many investors shied away from investing in opportunity zones because they could not access this benefit. Instead, policymakers should explore ways for investors to still qualify for the program's relevant holding periods, and associated tax benefits, if an investment is made after 2021.

Policymakers should also work to incentivize investment in activities other than real estate. Post investment, the major focus for OZ reporting is on property and assets, not job creation or growth. In order to attract more operating businesses or high tech startups to OZs, policymakers should consider measuring the activity happening—for example, reporting on wages spent, revenue generated, and jobs created—to roll up the impact like we do for other grant programs and incent those activities that reward businesses for succeeding. An example could be the Nebraska MicroCredit that provides incentives to SMBs based on the increase in employment. If the goal is to drive new employment in opportunity zones that wouldn't be there without the designation, this is critical for driving high wage, high value jobs in these areas.

Finally, for startups like Vesta, exits may happen sooner than the holding windows. Policymakers should explore establishing an easy way for our investors to roll the funds they invested forward. Doing so would avoid an issue where a company's incentives and an investor incentives are misaligned.

Thank you again for your attention to tax reform and the concerns of startups as you navigate this process. The opportunity zone program has been essential to the startup community of Omaha and I am happy to serve as a resource on this issue.

Sincerely,

Andrew Prystai
Co-founder and CEO of Vesta