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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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March 28, 2022

Mr. Tom Frazier
CEO
Redivider Blockchain Opportunity Zone Fund LLC
8 The Green, Suite 4263
Dover, DE 19901

Dear Mr. Frazier:

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).¹ The Opportunity Zone program was established by Congress on a party line basis in 2017² 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.”³ 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 Redivider Blockchain Opportunity Zone Fund LLC (Redivider Blockchain).⁴

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.⁵ I am similarly concerned by recent reports that companies involved in cryptocurrency mining may be seeking to avoid taxes without meaningfully benefitting distressed communities using the Opportunity

¹ I.R.C. §§ 1400Z-1 to 2 (2018).

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

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

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

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

Zone program.⁶ According to marketing materials, Redivider Blockchain owns a majority stake of a company that builds data centers in Opportunity Zones as well as a minority stake in a Bitcoin mining company that uses those data centers.⁷

Currently, the lack of safeguards or transparency measures in the Opportunity Zone program raise the possibility that taxpayers are simply subsidizing companies involved in cryptocurrency mining. In particular, I am concerned about comments you reportedly made in a recent Huffington Post interview, which described you as saying you “100%” would have founded a data center business with or without opportunity zones, which calls into question what, if any, net public benefit Redivider Blockchain investments are providing.

There currently is 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.⁸ 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 Redivider Blockchain’s investments in Opportunity Zones:

1. Please list all projects in an Opportunity Zone that Redivider Blockchain is 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.

2. For each project listed in response to question one, please explain:
 - a. how and when you conceived or learned of the project;
 - b. if you chose the site of the project, how you selected it;
 - c. the extent to which your 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 investment you intend to maintain the investment; and,
 - e. what tax benefits you expect to receive as a result of the project’s eligibility for the Opportunity Zone program.

⁶ *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].

⁷ See <https://www.redivider.fund/>.

⁸ *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->].

3. For each project listed in response to question one, please indicate if prior to December 22, 2017—with or without the involvement of Redivider Blockchain or investors in Redivider Blockchain—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.

4. For each project listed in response to question one, please indicate if you 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 you did advocate for inclusion of the project site in an Opportunity Zone, please explain when, how, and to which public officials you advocated, and provide copies of any written communications relevant to the advocacy.

5. For any cryptocurrency mining project potentially eligible for the Opportunity Zone program that Redivider Blockchain is currently invested in, 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 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