



## Opportunity Zone Tax Incentives = Higher Investment Returns

In December 2017, as part of the Tax Cuts and Jobs Act, Congress created a new tool for community development in the form of tax incentives to invest in qualified opportunity zones through qualified opportunity zone funds under Section 1400Z-2 of the Internal Revenue Code.

Section 1400Z-2 provides two compelling tax incentives to encourage investment in qualified opportunity funds. First, investors can defer paying taxes on gains from the sale or exchange of appreciated assets by investing such gains into opportunity zone funds within 180 days following such sale or exchange. Such gains may be deferred until the earlier of (i) when the investment is sold or exchanged or (ii) December 31, 2026.

The second compelling tax incentive relates to exclusion of gain -- Section 1400Z-2 excludes from gross income the post-acquisition capital gains on opportunity zone investments if the investment is held for at least 10 years. In addition, investors may receive a step-up in the basis of their investment in an amount equal to 10% of the original deferred gain if held for at least five years, and an additional step-up in basis equal to 5% of the original deferred gain if held for at least seven years.

Opportunity zone funds invest in property and businesses located in "qualified opportunity zones" which are geographic zones throughout the United States designated by the IRS. Congress's intent in establishing these qualified opportunity zones is to incentivize taxpayers to invest their money in certain low-income communities that may not otherwise attract significant investment.

States had previously nominated certain population census tracts for designation as qualified opportunity zones, and on Thursday, June 20, 2018, the IRS released [Notice 2018-48](#), which lists the various census tracts that the Secretary of the Treasury has designated as qualified opportunity zones.

For assistance with establishing an opportunity zone fund, or for additional information regarding opportunity zone funds or opportunity zones in general, please contact the attorneys listed below.



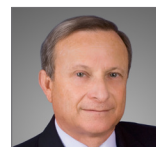
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