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## **Qualified Opportunity Zones**

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The new federal Qualified Opportunity Zones (QOZ) program, enacted as part of the 2017 Tax Cuts and Jobs Act, provides taxpayers with attractive tax incentives to invest in economically disadvantaged communities spread across all 50 states through private sector investment vehicles known as Qualified Opportunity Funds (QOFs).

More than 8,700 census tracts have been certified as opportunity zones. With an estimated \$6 trillion in unrealized capital gains held by investors, the potential funding of QOFs and the economic impact on these communities is expected to be enormous. Qualifying investments in QOZs, which require at least 90 percent of the invested capital to be in assets designated as QOZ property may be in real estate or in businesses operating within designated QOZ areas.

Depending on the length a QOZ investment is held, it is potentially triple tax advantaged with:

- Deferral of tax on eligible capital gains from the original investment until the earlier of a disposition of the interest acquired in a QOF or December 31, 2026;
- A permanent exclusion of 10 percent of the initially invested capital gains after the investment is held for at least 5 years, and 15 percent if held for at least 7 years; and
- A step-up in basis of the QOZ property to fair market value on the date it is sold or exchanged if held for at least 10 years, which means that post-investment appreciation in the property may be permanently excluded from tax.

Although the potential tax benefits of opportunity zones are well-defined, the rules governing how to ensure that an investor qualifies for these benefits are still evolving. It remains critically important that investors contemplating, entering into, or already invested in QOZ transactions are kept apprised of new developments that could impact them.

Chamberlain Hrdlickas Qualified Opportunity Zone team is well-versed in the technical nuances of how to qualify for the favorable tax incentives of the QOZ program, including creative structuring alternatives for forming opportunity funds under a variety of facts and circumstances, even as the opportunity zone rules continue to evolve. Our QOZ team also brings valuable insights on state and local tax issues as states contemplate how to respond to the new law on such important questions as the apportionment of gain and potential nexus issues.

For an interactive map of QOZ tracts throughout the United States, please [click here](#).