Opportunity Zone

The TCJA (Tax cut and jobs acts) includes a new tax incentive to promote investments in economically distressed communities known as “opportunity zones”.

Qualified opportunity zone (QOZ) incentive is a simple bargain: taxpayers will invest deferred gain into designated areas in need of revitalization, and in exchange, the taxpayer will receive tax benefits.

Qualified opportunity fund (QFO), is an investment vehicle that is established either as partnership or corporation for purpose of investing in eligible property located in qualified opportunity zone (QOZ).

Any taxpayer that realizes eligible gain for federal tax purposes may elect to defer the capital gain by investing in QOF.This way investors can receive the tax benefits even if they do not live, work or maintain business in QOZ.

Three significant tax incentives to a taxpayer who invests in a business located within one of this zone are as follows;

1. Temporary deferral of capital gains , to the extent the gains are invested into a “qualified opportunity fund” (QOF) within 180 days.
2. Partial exclusion of up to 15% of previously deferred gains when certain holding period requirements in a QOF are met and
3. Permanent exclusion of post-acquisition gains from the sale of an investment in a QOF held longer than 10 years.