



Part II: Q & A on Opportunity Zones — Incentive for Investors to Re-invest Unrealized Capital Gains

By: Carlos J. Reyes, Esq.

Q. How do Opportunity Zones spur economic development?

A. Opportunity Zones are designed to spur economic development by providing tax benefits to investors. First, investors can defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF) until the earlier of the date on which the investment in a QOF is sold or exchanged, or December 31, 2026. If the QOF investment is held for longer than 5 years, there is a 10% exclusion of the deferred gain. If held for more than 7 years, the 10% becomes 15%. Second, if the investor holds the investment in the Opportunity Fund for at least ten years, the investor is eligible for an increase in basis of the QOF investment equal to its fair market value on the date that the QOF investment is sold or exchanged.

Q. What is a Qualified Opportunity Fund?

A. A Qualified Opportunity Fund is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in a Qualified Opportunity Zone.

Q. Do I need to live in an Opportunity Zone to take advantage of the tax benefits?

A. No. You can get the tax benefits, even if you don't live, work or have a business in an Opportunity Zone. All you need to do is invest a recognized gain in a Qualified Opportunity Fund and elect to defer the tax on that gain.

Q. I am interested in knowing where the Opportunity Zones are located. Is there a list of Opportunity Zones available?

A. Yes. The list of designated Qualified Opportunity Zones can be found at Opportunity Zones Resources and in the Federal Register at IRB Notice 2018-48. Further a visual map of the census tracts designated as Qualified Opportunity Zones may also be found at Opportunity Zones Resources [link].

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