



PEACHTREE PROVIDENCE PARTNERS

ATLANTA - CHARLOTTE

THE BASICS

WHAT ARE OPPORTUNITY ZONES

Opportunity Zones are principally 2 things:

1. COMMUNITY DEVELOPMENT PROGRAM.

A new Federal government community development program designed to attract new capital investment into seriously distressed neighborhoods through a package of income tax incentives.

2. TAX-ADVANTAGED INVESTMENT OPPORTUNITY.

An opportunity for investors to reinvest recognized gains into tax-advantaged investments.

COMMUNITY DEVELOPMENT ASPECTS OF O-ZONES

1. TARGETED INVESTMENT IN DISTRESSED COMMUNITIES. Program is directed towards designated, low-income census tracts, “Qualified Opportunity Zones.”
 - a. Nomination & designation process is now complete. On June 21, 2018, Treasury Dept. officially designated Opportunity Zones for all States, resulting in approximately 8,800 Opportunity Zones.
 - b. On October 19, 2018 Treasury released its first tranche of draft regulations.

COMMUNITY DEVELOPMENT ASPECTS OF O-ZONES

2. CAPITAL INVESTMENT

- a. Designed to incentivize capital investment into Opportunity Zones.
- b. Tax benefits are available only for capital investments used to **purchase tangible property (business stock and real estate)** located in an Opportunity Zone where either (i) the original use of the property commences in the zone or (ii) substantial improvements are made.

O-ZONES – TAX-ADVANTAGED INVESTMENT

The Opportunity Zone program seeks to attract investment into low-income communities by providing a package of income tax incentives.

1. O-Zone tax benefits are **ONLY AVAILABLE** to taxpayers who **REINVEST** recognized **GAINS** in a “qualified opportunity fund” (an “O-Zone Fund”).
2. O-Zone Funds may receive other investments/ contributions of cash and property. However, contributions that are not re-investment of gain **DO NOT QUALIFY** for O-Zone tax benefits.

BASIC REQUIREMENTS FOR O-ZONE TAX BENEFITS

O-Zone tax benefits are only available for investments made into “qualified opportunity fund” (O-Zone Fund).

1. GAIN RE-INVESTMENT. Taxpayer must invest cash up to gain recognized from sale/disposition of property.
2. TIME LIMIT. Cash re-investment must be made during 180-day period after sale or exchange triggering gain.
3. INVESTMENT. Taxpayer must acquire stock or partnership interest in an O-Zone Fund (“qualified opportunity fund”).
4. O-ZONE FUND. O-Zone Fund must satisfy certain tests.

O-ZONE FUND REQUIREMENTS

1. TAX CLASSIFICATION. O-Zone Fund is an “investment vehicle” organized as a corporation or partnership.
2. LIMITED PURPOSE. Purpose of O-Zone Fund is investing in qualified opportunity zone property.
3. CERTIFICATION. O-Zone Funds must be certified as such.
 - IRS has acknowledged that O-Zone Funds will self-certify on Federal income tax return.
4. 90% ASSET TEST. 90% of assets of O-Zone Fund are qualified opportunity zone property.

WHAT MAKES O-ZONES DIFFERENT?

1. UNIQUE TAX INCENTIVES.

- Designed to “free up” existing/locked in gains.
- Allows reinvestment of gain from any class of assets and only reinvestment of gain (not proceeds). Compare to current limitations of 1031.
- Benefit of tax-free appreciation is unparalleled in Internal Revenue Code.

2. FREE-MARKET APPROACH.

- Designed for minimal governmental/regulatory involvement. Benefits not limited in amount. Funds will self-certify.



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