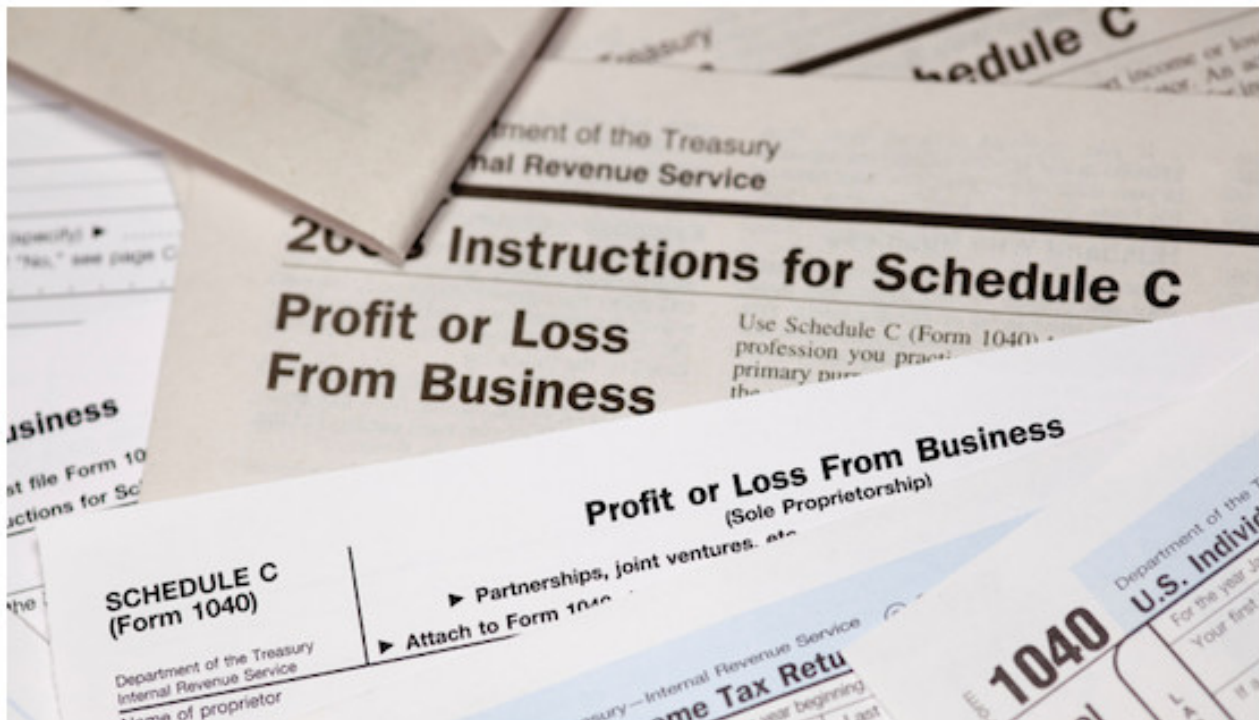


Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

corporation under federal tax law and organized for the purpose of investing in ...

Ken Berry • Oct. 31, 2019



Opportunity is knocking for businesses that invest in “Opportunity Zones” designated under the Tax Cuts and Jobs Act (TCJA). Initially, the IRS issued proposed regulations in 2018 clarifying some of the main rules. Now the IRS has released additional guidance this year (IR-2019-75, 4/17/19).

Here’s the skinny: Opportunity Zones were created by the TCJA to spur investment in distressed communities throughout the country. Under a process completed in 2018, more than 8,700 communities spread throughout all 50 states, the District of Columbia and five U.S. territories were designated as qualified Opportunity Zones. An Opportunity Zone retains its designation for ten years.

Significantly, the proposed regulations clarify that investors may defer tax on most

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

qualified opportunity zone property.

The QOF must hold at least 90% of its assets in qualified property. Investors who hold their QOF investment for at least ten years can increase their basis to the fair market value of the investment on the date it is sold.

Furthermore, the proposed regulations provide that if at least 70% of the tangible business property owned or leased by a trade or business is qualified opportunity zone business property, the requirement that "substantially all" tangible business property is qualified property is satisfied if other requirements are met. If the tangible property is a building, a substantial improvement is measured based only on the basis of the building (not of the underlying land).

A key part of the new 2019 guidance clarifies the "substantially all" requirements for the holding period and use of the tangible business property as follows:

- For use of the property, at least 70% of the property must be used in a qualified opportunity zone.
- For the holding period of the property, tangible property must be qualified opportunity zone business property for at least 90% of the QOF's or qualified opportunity zone business's holding period.
- The partnership or corporation must be a qualified opportunity zone business for at least 90% of the QOF's holding period.

The new guidance also notes there are certain situations where deferred gains may become taxable if an investor transfers his or her interest in a QOF. For example, if the transfer is made by gift, the deferred gain is subject to tax. However, inheritance by a surviving spouse isn't a taxable transfer, nor is a transfer, upon death, of an ownership interest in a QOF to an estate or a revocable trust that becomes irrevocable upon death.

Your clients may be able to take advantage of this new window of opportunity.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

© 2024 Firmworks, LLC. All rights reserved