Opportunity Zones FAQ

1. What's the process?

   Clients who are realizing a capital gain across all asset classes can invest those monies on a tax deferred basis, as long their gain is invested in a qualified opportunity fund within 180 days of the sale or exchange.

2. What are the investment restrictions?

   The capital gains must be invested in qualified opportunity funds that have 90% of their assets invested in qualified opportunity zones.

3. How do I qualify?

   All capital gains on the sale or or exchange of any property to an unrelated party invested within 180 days are eligible for the tax benefits.

4. What's the minimum amount?

   The minimum investment is going to depend on the specific fund, but would generally range from $25,000-$50,000

5. Can I put my 1031 money in?

   Yes.

6. What can I invest in?

   Qualified opportunity stock, partnership interest, or business property are all eligible investments.

7. How do I invest?

   Investors can invest in opportunity funds by selling an asset and triggering a capital gain, then subsequently placing that gain in a qualified opportunity fund with 180 days of the original sale.

8.How long is the investment period?

The program allows for a stepped up basis depending on the holding period. A 5 year hold will grant the investment a 10% stepped up basis. A 7 year hold grants the investment an additional 5% of stepped up basis, totaling 15% on the original basis. Finally, after 10 years, investors permanently avoid any capital gains tax on the post-acquisition gains.

9.How is this different from 1031?

Opportunity Zone Fund offers much more significant tax benefits compared with Section 1031.

Comparison of Opportunity Zone Fund & Section 1031

Eligible asset classes to invest in	Only real assets held for productive use	Any
What needs to be invested	All Proceeds	Only Capital Gains
How soon do taxpayers need to invest	Within 180 Days	Within 180 Days
Need go through intermediary	Yes	No
Tax Benefit	• Can delay tax indefinitely, but investors have to pay taxes when selling assets • Heirs get step up in basis to the market value, but can eliminate tax up to the estate tax exemption	• Capital gains taxes can be deferred until December 31, 2026 • Zero capital gains tax after 10 years

10. What is the investment rollover period?

Investors have 180 days to invest realized capital gains.

11. Do I have to use an intermediary, like an would in a 1031?

No. You can take receipt of the gains, as long as you reinvest within 180 days.

12. Do I have to pay the original deferred taxed?

    In part. The original taxes are deferred until December 31, 2026. Investors will have to recognize a portion of the deferred gains that year; however, the new gains are not taxed if the investment is held 10 years.

13. Where are the opportunity zones?

    Opportunity zones are currently being designated by the governors of each state. Each state may designate 25% of the eligible census tracts in their state.

14. Are all zones economically distressed?

    Opportunity zones must meet certain criteria to qualify. Census tracts with over 20% poverty and median family income no greater than 80% of the area medium will qualify.

15. Can I put new money besides capital gains?

    New monies can be invested in an opportunity fund, however would not enjoy the same tax benefits as realized capital gains

16. If we lose property, what happens to my money? / What if there is economic turmoil? / What if the markets change?

    These investments carry the same market risk that comes with most real estate investments. The funds 10-year investment period mean a greater chance of the investment living through a market cycle; while at the same time providing the manager with flexibility to maneuver different market fluctuations.