

Opportunity Zones

Recent federal tax legislation introduced “Opportunity Zones,” a new community reinvestment tool designed to use tax incentives to drive long-term investment to rural and low-income urban communities throughout the nation. The Opportunity Zone program is the first new national community investment program in over 15 years and has the potential to be the largest economic development program in the U.S. This broad legislation will benefit many stakeholders from individual taxpayers to developers and fund sponsors.

ZAG-S&W has created a multi-disciplinary team consisting of lawyers from our Tax, Real Estate, Affordable Housing and Corporate practice groups. We work closely with clients across the country to analyze how they might implement this new legislation into their business strategy.

More specifically, we advise clients on the following:

- Fund Formation and Structuring
- Tax Compliance and Related Tax Matters
- Real Estate Acquisitions
- Asset, Property Management and Operational Issues
- Financing Components (Senior, Mezzanine and Preferred Equity)
- Affordable Housing and Tax Credit Matters
- Business Start-Ups

Spotlight

Our firm recently held a joint Real Estate and Tax event giving an [overview of the Opportunity Zone initiative](#).

Video of the presentation can be viewed [here](#) and a PDF of the presentation can be viewed and downloaded [here](#).

Some highlights from the presentation were:

A taxpayer who timely reinvests gain from a sale of property into a “Qualified Opportunity Fund” (“Fund”) can enjoy the following tax benefits:

- **Deferral:** Gain on a property sale that is invested in a Fund is deferred until the earlier of the date that the taxpayer sells its interest in the Fund of December 31, 2026.
- **Capital Gain Reduction:** If the taxpayer invests in the Fund for at least 5 years, 10% of the original gain is excluded; if the investment lasts for at least 7 years, an additional 5% (for a total of 15%) of the original gain is excluded.
- **Appreciation Exclusion:** Best of all, if the taxpayer invests in the Qualified Opportunity Fund for at least 10 years, all appreciation in the investment will be tax-free.

The potential beneficiaries of this new tax incentive include the following:

- Individuals or corporations looking to reinvest gains from sales of property in order to defer and reduce taxes and/or to enjoy tax-free investment returns;
- Real estate developers and start-up companies located in an Opportunity Zone who are looking for equity investment; and
- Real estate sponsors, syndicators and/or private equity funds looking to create Opportunity Funds and then make investments in Qualified Opportunity Zone

Property, including investments in corporations, partnerships or direct investments in property.

For further information about our Opportunity Zones practice, please visit our website at www.zag-sw.com or contact: