Opportunity Zones

What are they?

The tax cuts and jobs act allows for the designation of opportunity zones. These zones use incentives to encourage investment in low income areas. The law allows for two types of tax relief:

- Temporary deferral of gain from the sale of property
    - Much like a 1031 exchange, except over time the gain will be **reduced by as much as 15%.**
    - The deferral period is up to **12/31/2026**, at which point the gain will be recognized.
- Permanent exclusion of post-acquisition capital gains on the disposition of investments in QO Zones held for ten years

QO Funds

The gains will be reinvested in QO funds which must be a partnership or corporation with more than 90% of their assets being comprised of **QO property**.

- QO property includes Opportunity Zone Stock, Opportunity Zone Ownership Interest, and Opportunity Zone Business Property.

Final Planning Note

One advantage of the QO zones is that the taxpayer can permanently exclude up to 15% of gains. With a 1031 exchange that gain gets continually deferred until sold, then recognized in full.

Multiple QO zones have been designated in Phoenix and Tucson. If you are interested in taking advantage of these QO zones, contact your tax advisor.