

OPPORTUNITY ZONES

“Realize” Big Benefits by Investing Your Capital Gains



Leveraging a New TCJA Opportunity

Many business owners and investors are asking about the opportunity zones introduced by the Tax Cuts and Jobs Act of 2017 (TCJA). So what are they and how can you benefit from investing in them?

What Is an Opportunity Zone?

Qualified opportunity zones (QOZs) are low-income census tracts, or areas adjoining low-income census tracts. After the TCJA introduced them, each state, district or U.S. territory nominated opportunity zones for the Treasury to certify. From rural areas to major cities, there are now approximately 8,700 zones, covering 12% of all U.S. territory.

Are You Sitting on Unrealized Capital Gains?

With over 50 million people living in economically distressed areas,¹ the purpose of an opportunity zone is to connect low-income communities with capital investments to promote economic growth. As an investor, you can take realized capital gains and reinvest them into qualified opportunity funds (QOFs) – gaining access to three big benefits:

1

Tax Deferral: You can elect to defer the capital gain you invest until December 31, 2026 or when you sell your qualified fund investment – whichever comes first.

2

Step-Up Benefits: You can get a step-up in the capital gain you are deferring if you invest long-term. By holding the investment for five years, you get a 10% step-up. If you hold it for seven years, you get an additional 5% step-up, for 15% total. This means you could potentially not pay tax on 15% of the capital gain that you invested in a qualified opportunity fund.²

3

No Capital Gain Tax on Appreciation: If you hold the QOF investment for 10 years or more, there is no capital gain tax when you sell the QOF investment on any appreciation that has occurred from the initial time of the investment. This means that if you invest \$1 million dollars today in a QOF and the investment is worth \$3 million 10 years from now, then the \$2 million increase is basically tax free.

¹ “2018 Distressed Communities Index,” Economic Innovation Group, <https://eig.org/dci>, accessed March 2019.

² The 5 and 7 year period must be satisfied by December 31, 2026.

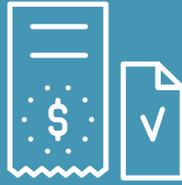
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Getting Started

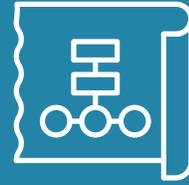
Whether you're looking for a QOF to invest in or you'd like to create one, you can do a lot to get started. To help ensure the QOF runs smoothly and satisfies regulations, Wipfli assists QOFs in performing crucial services such as:



Hassle-free audit and attestation



Worry-free tax reporting, including federal and state tax filings



Comprehensive plan structuring and modeling



Customized software technology implementation from a deeply experienced team

For investors, we're committed to your education. There are many regulations around opportunity zones, and there's still more guidance coming. No matter if you need assistance confirming if an investment is in an opportunity zone and if it qualifies as a QOF, if you want to set up and properly structure your own QOF, or if you need to work through the complexities of business and personal tax returns, Wipfli is here to help.

While many other firms are sitting back and waiting for more guidance, the Wipfli team is actively keeping up with current law as well as what we expect to come into law. Our presence in the market, specialized knowledge and experience, and commitment to leadership on the subject means we can help you both understand and realize the benefits of investing in opportunity zones.

Let's have a conversation.

Learn more about opportunity zones, qualified opportunity funds and how you can benefit from investing your capital gains.

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