

Opportunity

zones



What is an opportunity zone?

Introduced by the Tax Cuts and Jobs Act (TCJA), opportunity zones are a hot topic for many real estate investors, developers and other investment-minded people. But what are they, and how can you benefit from investing in them?

Opportunity zones (QOZ) are low-income census tracts, or areas adjoining low-income census tracts. Each state, district or U.S. territory nominated opportunity zones — from rural areas to major cities — for the Treasury to certify, and now there are now approximately 8,700 zones that cover 12% of all U.S. territory.

With more than 50 million people living in economically distressed areas¹, the purpose of an opportunity zone is to connect low-income communities with capital investments to promote economic growth.

Are you sitting on unrealized capital gains?

As an investor, you can take realized capital gains, reinvest them into qualified opportunity funds (QOFs) and gain access to three big benefits:

- **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.
- **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 fund².
- **No capital gain tax on appreciation:** If you hold the QOF investment for 10 years or more and decide to sell the investment, there is no gain tax on any appreciation from the initial time of the investment. This means that if you invest \$1 million today in a QOF and the investment is worth \$3 million 10 years from now, then the \$2 million increase is basically tax free.

WIPFLI

“Realize” big benefits by investing your capital gains

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 helps QOFs by performing crucial services:



Hassle-free audit and attestation



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



Comprehensive plan entity structuring



Customized software technology implementation from a deeply experienced team

Leading the opportunity zone frontier

For investors, we’re committed to your education. There are many regulations around opportunity zones, and there’s still more guidance coming. Wipfli is here to help if you: need to confirm if an investment is inside an opportunity zone and if it qualifies as a QOF, want to set up and properly structure your own QOF, or need to work through the complexities of business and personal tax returns.

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 understand and realize the benefits of investing in opportunity zones.

Let’s get started

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

wipfli.com/opportunity-zones

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.