



# The Opportunity Zone Program and New Tax Incentives

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The Opportunity Zone Program provides investment opportunity with tax deferral benefits. This article will give you some general information about the QOZ and how it works. We have the experience to help you take advantage of this new federal program and realize the offered tax benefits.

## Overview and Background

In late 2017, the Tax Cuts and Jobs Act (“TCJA”) created the Qualified Opportunity Zone program (“QOZ”) as part of a long-term investment initiative to spur growth in economically distressed communities. Each state identified qualified census tracts to be designated as opportunity zones through 2026. There are approximately 8,700 Opportunity Zones nationwide, including several zones situated in Chicago, Illinois. A map depicting the location of the opportunity zones throughout the United States is available [here](#).

## How it works

The Qualified Opportunity Zone program offers investors the potential to defer gains from the sale or exchange of property by investing in a qualified opportunity zone fund (“OZ Fund”). Subject to other requirements, the investor must invest in the OZ Fund within 180 days of the sale of the property. An OZ Fund is a corporation or partnership created and capitalized to invest in QOZ property. Property that qualifies as “QOZ property” has been defined broadly and includes varied asset classes, project types, and operating ventures, including, but not limited to purchase of real property, leased tangible property, and equity investment in a trade or business.

## Benefits of Investing in OZ Funds

The QOZ provides taxpayers opportunities to enjoy tax deferral and tax-free post-investment appreciation on certain qualifying investments.

The tax benefits can include:



- Temporary tax deferral for capital gains reinvested in an OZ Fund;
- A step-up in basis for any investment in an OZ Fund held for at least five years (10% basis increase) or seven years (15% basis increase); and
- Permanent exclusion of capital gains from the sale or exchange of an investment in an OZ Fund held for at least 10 years.

For further information or analysis on if your investment may qualify for the Qualified Opportunity Zone program, please contact Alexandria R. Seydel at [aseydel@stahlcowen.com](mailto:aseydel@stahlcowen.com).