



## FAQs

### **Opportunity Zone 101: *I want to learn...***

#### **What are Opportunity Zones?**

Opportunity Zones are census tracts that are defined by the Internal Revenue Service (IRS) as “economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment.” They were added to the tax code by the Tax Cuts and Jobs Act on December 22, 2017.

You can learn more about the program on the federal website for the program located [here](#).

#### **How were the Opportunity Zones selected?**

Opportunity Zones were nominated by state governors and certified by the Secretary of the U.S. Treasury in April 2018. A nominated tract had to meet one of the criteria under the definition of “low-income community” in Internal Revenue Code Section 45D(e): (1) a poverty rate of at least 20%; (2) a median family income below 80% of the greater of the statewide or metropolitan area median family income if the community is located in a metropolitan area; or (3) a median family income below 80% of the median statewide family income if the community is located outside a metropolitan area.

#### **Where are Opportunity Zones?**

Twelve percent of US Census tracts are Opportunity Zones (8,762 tracts). They are found in every state. You can explore a map of Opportunity Zones in the United States with the [Community Development Financial Institutions Fund’s map](#). You can explore a map of Opportunity Zones in California with the [State Integrated OZ Map](#).

#### **Where can I find a list of all the census tracts for Opportunity Zones?**

The Community Development Financial Institutions Fund’s [Opportunity Zones Resources’ page](#) hosts a spreadsheet link to a [list of designated Qualified Opportunity Zones \(QOZs\)](#). This spreadsheet allows you to filter Opportunity Zones by state, county, census tract number, and census tract type.

#### **What about properties adjacent to Opportunity Zones?**

There currently is no federal policy as it pertains to properties that are adjacent to Opportunity Zones. However, communities throughout the United States are exploring ways to support projects in census tracts adjacent to Opportunity Zones.

#### **Can new Opportunity Zones be created?**

No. As the federal program currently stands, new Opportunity Zones cannot be created.

#### **Can the boundaries of an Opportunity Zone be adjusted?**

No. As the federal program currently stands, the boundaries of an Opportunity Zone cannot be adjusted.

### **Opportunity Funds: *I want to Invest...***

#### **How do I invest in an Opportunity Zone?**

Investments in Opportunity Zones are made through Qualified Opportunity Funds. You must make your investment through a Qualified Opportunity Fund in order to qualify for any benefit.

#### **What is a Qualified Opportunity Fund?**

A Qualified Opportunity Fund is any investment vehicle that files either a corporate or partnership federal income tax return and is organized for the specific purpose of investing in Opportunity Zone assets. To become a Qualified Opportunity Fund, an eligible investment vehicle must self-certify by filing [IRS Form 8996](#) with its federal income tax return.

#### **Where can I find a list of all the Qualified Opportunity Funds?**

There currently is no complete list of all Qualified Opportunity Funds. There is also no ability to provide confirmation that an investment is in a Qualified Opportunity Zone.

#### **Can I invest in a Qualified Opportunity Fund if I am not within an Opportunity Zone?**

Yes. You can invest in a Qualified Opportunity Fund if you do not work, live or own property within an Opportunity Zone.

#### **What benefits can I receive from investing in a Qualified Opportunity Fund?**

There are primarily three benefits available.

- **Capital Gains Tax Deferral:** An investor that re-invests capital gains into a Qualified Opportunity Fund can defer the payment of federal taxes on the realized gains of the investment as late as December 31, 2026
- **Capital Gains Tax Reduction:** An investor that holds their investment in a Qualified Opportunity Fund for at least five years can reduce their tax bill on the capital gains deferred by 10%. If the investor holds their investment for at least seven years, the reduction increases to 15%.
- **Elimination of Taxes on Future Gains:** An investor that holds their investment in a Qualified Opportunity Fund for at least ten years will not be required to pay federal capital gains taxes on any realized gains from the investment.

#### **Can a Qualified Opportunity Fund make investments in multiple Opportunity Zones?**

Yes. If the Qualified Opportunity Fund holds at least 90% of its assets in Opportunity Zone property, the fund can invest in as many qualified Opportunity Zones as it desires.

#### **Is there a timeframe which investments must be made in a Qualified Opportunity Fund?**

The IRS rule making process dictates the timeframe for investment. The investor must deploy their capital into an Opportunity Fund within six months of realizing the capital gains that are invested.

### **Communities: *I want to Engage...***

### **Is my community an Opportunity Zone?**

The [State Integrated OZ Map](#) displays current Opportunity Zone tracts in California. The upper right corner of the map includes an address search function. You can search directly for your address. You can also search by ZIP Code.

### **How do Opportunity Zones benefit my community?**

Opportunity Zones are a tool for economic development. They are a means to attract new capital to be deployed into a community. They allow investors to defer, reduce, or eliminate taxes on their unrealized capital gains. Opportunity Zones can be utilized to fund a wide array of community supported projects, from renewable energy to affordable housing.

### **As a community member, how do I engage with Opportunity Funds in my area?**

You can utilize the [State Integrated OZ Map](#) to first identify eligible census tracts in your area for Opportunity Funds to invest in. We encourage you to then reach out to your city, county, or local elected representative to understand how your local government is engaging with Opportunity Zones in your community. Communities are also holding presentations, meetings, and informational sessions to share with investors what types of investments they are seeking.

### **Will Qualified Opportunity Funds be used to fund affordable housing projects in my community?**

Qualified Opportunity Funds can be used to support and fund affordable housing projects. The State of California also has many resources to support the development of affordable housing. The [Department of Housing and Community Development](#) makes loans and grants through [more than 20 programs](#), many of which include affordable housing.

### **How do small businesses in Opportunity Zones in my community benefit?**

Opportunity Zones can be used to support small businesses by providing access to loans and venture capital that are needed to start or expand a small business. Opportunity Zones can also be used to develop innovation and small business hubs that support local businesses and entrepreneurs.

### **Are there safeguards built in to this program to prevent abuse?**

Investors are required to substantially improve their investment in order to receive benefits from investing in an Opportunity Zone. The IRS will conduct tests to ensure that the investments are maintaining at least 90% of their assets in the qualified Opportunity Zone(s). Local governments are also creating and exploring ways to ensure that investments in their jurisdictions are aligned with what their communities desire.

### **Is my local government engaging with Opportunity Zones?**

Local governments are approaching Opportunity Zones in different ways. Some local governments are using social media, presentations, and information sheets to help market their regions and share what types of investments their communities are seeking. We encourage you to reach out to your city, county, or local elected representative to understand how your local government is engaging with Opportunity Zones in your community.

**State of California: *I want to know its role...***

## **Where are Opportunity Zones in California?**

The Department of Treasury has certified 879 census tracts in California as Qualified Opportunity Zones. Opportunity Zones can be found in 57 counties throughout California. You can find Opportunity Zones in California with the [State Integrated OZ Map](#).

## **Will the State of California be conforming its treatment of capital gains to align with the federal Opportunity Zone Program?**

Currently there is no tax conformity to the federal Opportunity Zone program. The issue of conformity to the program is currently in consideration by the Governor and the Legislature.

## **What is the current role of the State in Opportunity Zones?**

California is committed to ensuring that the Opportunity Zone program aligns with California ideals. State agencies are actively providing technical assistance to communities who are working to attract impactful projects to Opportunity Zones.

## **Is the state holding any meetings on Opportunity Zones?**

The State intends to hold convenings on Opportunity Zones. You can sign up for info of notice relating to these meetings [here](#).

In addition, the Governor's Office of Business and Economic Development (GO-Biz) held a statewide webinar on November 12, 2019 on both Opportunity Zones and Promise Zones. The webinar recording highlighting these programs can be found [here](#), under "Annual Meeting."

## **Can the State's list of Opportunity Zones be re-designated?**

No. The federal program does not currently allow for the re-designation of Opportunity Zones. Opportunity Zones were nominated and certified by the U.S. Secretary of the Treasury in 2018.

## **What other programs does the State offer that overlap with Opportunity Zones?**

There are many State and local grant programs, economic development tools, and tax credits that promote State ideals and can couple with the federal Opportunity Zone Program. Some of these programs are listed and detailed below:

- [California Competes Tax Credit](#) – an income tax credit available to businesses that want to come to California or stay and grow in California.
- [Enhanced Infrastructure Financing Districts \(EIFDs\)](#) – a local tax increment financing tool that can finance traditional public works, such as transportation, transit, and parks and libraries. EIFDs can also fund other activities such as affordable housing development, brownfield restoration, and land acquisition.
- [Community Revitalization and Investment Authorities \(CRIAs\)](#) – a local tax increment financing tool limited to areas that are former military bases, disadvantaged communities, and defined low-income census tracts. CRIAs can finance a wide variety of projects and activities, including infrastructure, affordable housing, business assistance, and local grant programs.

- [Industrial Development Bonds](#) – tax-exempt financing available to manufacturers for the acquisition of manufacturing facilities and equipment.
- [Electric Program Investment Charge \(EPIC\)](#) – the state’s premier energy research, development, and deployment program for the advancement of science and technology in the fields of energy efficiency, renewable energy, advanced electricity technologies, energy-related environmental protection, transmission and distribution as well as transportation technologies.
- [California Sustainable Energy Entrepreneur Development Initiative \(CalSEED\)](#) – a funding and professional development program for innovators and entrepreneurs working to bring early-stage clean energy concepts to market.
- [Transformative Climate Communities \(TCC\)](#) – a state cap-and-trade funded grant program that funds community-led development and infrastructure projects that achieve environmental, health, and economic benefits in California’s most disadvantaged communities.
- [Affordable Housing and Sustainable Communities \(AHSC\)](#) – a state cap-and-trade funded grant program that funds land-use, housing, transportation, and land preservation projects to support infill and compact development that reduce greenhouse gas (“GHG”) emissions.

On November 12, 2019 the Governor’s Office of Business and Economic Development (GO-Biz) featured several of these programs in a statewide webinar. The webinar recording highlighting these programs can be found [here](#), under “Annual Meeting.”

**Are the State’s climate goals being considered?**

Yes. The State is actively promoting impactful projects that advance the State’s plan for addressing climate change. This includes projects that advance the use of renewable sources of energy, reduce harmful GHG emissions, and incorporate climate adaptation and resiliency strategies.