

## **Frequently Asked Questions**

### **Q. What is an Opportunity Zone?**

A. An Opportunity Zone is an economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. Localities qualify as Opportunity Zones if they are a low-income census tract with an individual poverty rate of at least 20 percent and median family income no greater than 80 percent of the area median.

### **Q. Who created Opportunity Zones?**

A. Opportunity Zones were added to the tax code by the Tax Cuts and Jobs Act on December 22, 2017.

### **Q. What is the purpose of Opportunity Zones?**

A. Opportunity Zones are an economic development tool—that is, they are designed to spur economic development and job creation in distressed communities in Maryland and other states and territories.

### **Q. How do Opportunity Zones spur economic development?**

A. Opportunity Zones are designed to spur economic development by providing tax benefits and incentives to investors.

### **Q. How many Opportunity Zones are there in Maryland?**

A. There are 589 eligible census tracts in Maryland with a maximum of 25% or 149 of these tracts allowed to qualify as Opportunity Zones per program rules.

### **Q. What types of Opportunity Zone incentives are available?**

- A. There are three types of incentives available:
- **Temporary Deferral:** A temporary deferral of inclusion in taxable income for capital gains reinvested into an Opportunity Fund. The deferred gain must be recognized on the

earlier of the date on which the opportunity zone investment is disposed of or December 31, 2026.

- **Step-Up in Basis:** For capital gains reinvested in an Opportunity Fund the basis is increased by 10% if the investment in the Opportunity Fund is held by the taxpayer for Opportunity Zones Frequently Asked Questions at least 5 years and by an additional 5% if held for at least 7 years, thereby excluding up to 15% of the original gain from taxation.
- **Permanent Exclusion:** a permanent exclusion from taxable income of capital gains from sale or exchange of an investment in an Opportunity Fund if the investment is held for at least 10 years. This exclusion only applies to gains accrued after an investment in an Opportunity Fund.

**Q. What is a Qualified Opportunity Fund?**

A. Qualified Opportunity Fund is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in an Opportunity Zone and that utilizes the investor's gains from a prior investment for funding the Opportunity Fund.

**Q. I am interested in investing in an Opportunity Zone in Maryland. How can I find them?**

A. See a [map of approved Opportunity Zones in Maryland](#).

**Q: How do I start or find Opportunity funds?**

A: The final guidelines for the Opportunity Funds have not been released by the U.S. Treasury. It is anticipated that guidance about the nature of the investments or fund formation will be included in these guidelines.

**Q. How can I get more information about Opportunity Zones?**

A. Over the next few months, the Treasury Department and the Internal Revenue Service will be providing further details, including additional legal guidance, on this new incentive. We will continue to provide updated information at <http://www.dhcd.maryland.gov/opportunityzones> as it becomes available. More information will also be available at [Treasury.gov](http://Treasury.gov) and [IRS.gov](http://IRS.gov).

**Additional Opportunity Zone Information:**

Department of Treasury Opportunity Zone Resources: [CDFIFund - Opportunity Zones](#)

Department of Treasury Press Release: [U.S. Treasury press release](#)

 [Tax and Jobs Act 2017](#)