



## Division of Taxation

# Federal Tax Cuts and Jobs Act (TCJA) – Opportunity Zones

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### **Notice: Federal Tax Cuts and Jobs Act (TCJA) – Opportunity Zones**

The Opportunity Zone Program was enacted as part of the 2017 federal Tax Cuts and Jobs Act and is designed to encourage long-term capital investments into low-income rural and urban communities. The program offers incentives with regard to the taxation of capital gains for investment in Opportunity Zones such as a temporary deferral of taxation, a step-up in basis, and a permanent tax exclusion for certain qualified transactions.

The US Department of the Treasury approved 169 census tracts in 75 New Jersey municipalities as Opportunity Zones.

For Gross Income Tax purposes, New Jersey follows IRC section 1400Z-2 in the deferral of capital gains because, pursuant to N.J.S.A. 54A:8-3(c) and N.J.S.A. 54A: 5-1(c), the method of accounting and the basis of property must be the same as for federal income tax purposes. New Jersey also follows the special rule for investments held for at least 10 years in IRC 1400Z-2(c) if the taxpayer makes that election federally. The gains are subject to Gross Income Tax when the gain is recognized for federal purposes. This treatment applies to both individuals and pass-through entities.

For Corporation Business Tax purposes, New Jersey follows IRC section 1400Z-2, because pursuant to N.J.S.A. 54:10A-4 New Jersey follows the same method of accounting as for federal purposes and New Jersey's starting point is the entity's federal taxable income, before federal net operating losses and other special deductions, subject to certain modifications under the Corporation Business Tax Act.

The New Jersey Division of Taxation does not administer this program. For additional information, see the [New Jersey Department of Community Affairs website](#). In addition, you may contact the IRS at [CC.ITA.Section.1400@irs.counsel.treas.gov](mailto:CC.ITA.Section.1400@irs.counsel.treas.gov) or see their [website](#).

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