

# QUALIFIED OPPORTUNITY ZONE

## PROMOTING INVESTMENT IN LOW-INCOME COMMUNITIES



Erie, PA

### PROGRAM OVERVIEW

The federal Qualified Opportunity Zone (QOZ) program spurs economic development and job creation in low-income communities by offering tax incentives for investment into designated distressed census areas, known as QOZs. Individuals who make investments through special funds in these zones can defer or eliminate federal taxes on capital gains.

Pennsylvania's QOZs were selected based on their distressed economic status, recommendations from local partners, and the likelihood of private-sector investment in those specific census tracts. Additional information and resources about QOZs in Pennsylvania, including an interactive map of our 300 QOZ sites can be found at [dced.pa.gov/qoz](https://dced.pa.gov/qoz).

### ELIGIBLE INVESTORS

Any taxpayer with eligible capital gains subject to federal capital gains taxes can invest in QOZ projects, properties and businesses.

### ELIGIBLE INVESTMENTS

All investments must occur within a designated QOZ. These investments are not tied to any minimum or maximum participation thresholds or job retention or creation commitments.

The following uses are eligible:

- Industrial, commercial, and residential projects
- Direct business investments

QOZ investments must be made no later than December 31, 2026. To receive maximum benefit from the tax incentives, investors should consider committing investments by December 31, 2019.

## FREQUENTLY ASKED QUESTIONS



### **How does the Qualified Opportunity Zone program differ from the Keystone Opportunity Zone program?**

The Qualified Opportunity Zone (QOZ) program is a **federal** capital gains tax incentive offered to taxpayers in exchange for the deferral and investment of capital gains into designated, distressed census tracts.

The Keystone Opportunity Zone program (KOZ) is a **Pennsylvania** tax abatement incentive designed to revive economically-distressed properties in communities across the commonwealth. It provides state and local tax abatements to businesses and residents locating in a geographically designated zone.

### **Can the boundaries of the QOZs be altered? Will Pennsylvania designate more QOZs in the future?**

The Qualified Opportunity Zone designation process is complete. Unless federal government grants the ability to amend the designated zones, there is no potential to add new census tracts or to alter the boundaries of the currently designated QOZs.

### **How can investors take capital gains and begin investing them into a Qualified Opportunity Zone project?**

Taxpayers interested in deferring capital gains and investing in Qualified Opportunity Zone projects need to invest in a Qualified Opportunity Fund to take advantage of the QOZ tax benefits.

### **Are there any types of ineligible investments?**

All QOZ investments must occur within a QOZ. Most industrial, commercial, residential, and direct business investments are eligible. However, certain businesses such as massage parlors, tanning salons, liquor stores, golf courses, country clubs, and gambling facilities are not.

## **CONTACT US**

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