# Opportunity Zones Fact Sheet

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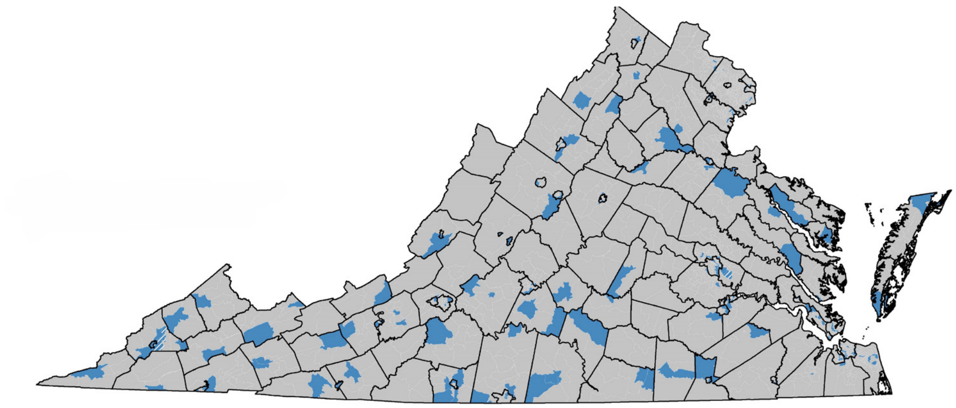
**What are Qualified Opportunity Zones?**

Qualified Opportunity Zones are low-income census tracts [IRC Section 45D(e)] that were nominated by the governor of Virginia and certified by the U.S. Treasury where new investments may be eligible for preferential tax treatment if they meet certain qualifications. A low-income census tract is defined as having an individual poverty rate of at least 20 percent or a median family income no greater than 80 percent of the area median income. According to the 2015 and 2016 U.S. Census data, Virginia had 901 eligible census tract, and per the Tax and Jobs Act, Virginia was only able to nominate 25 percent or 212 tracts and could have up to five percent or 11 as contiguous tracts. Virginia nominated 212 out of 901 tracts. The designations are permanent until Dec. 31, 2028.



**What are Qualified Opportunity Funds?**

- Private-sector investment vehicles that invest at least 90 percent of their capital in Opportunity Zones.
- Must be set up as a partnership or LLC.
- A taxpayer must self-certify on their tax return by completing a form to create an Opportunity Fund. A draft form has been released by the U.S. Treasury.
- Equity investment derived from an investor's capital gains from a prior investment.

**What are the benefits from investing in a Qualified Opportunity Zone Business or Property?**

- Temporary tax deferral of capital gains reinvested into a Qualified Opportunity Zone Fund. The deferred gain must be recognized on the earlier of the disposition of the investment or Dec. 31, 2026.
- Step-up in basis, which the initial basis in a Qualified Opportunity Zone investment starts at zero. The basis increases by 10 percent with a holding period of five years, and by an additional 5 percent if held for at least seven years, excluding up to 15 percent of the original gain from taxation.
- Permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in an Opportunity Fund if the investment is held for at least 10 years. The basis of investment at the time of sale is increased to the fair market value.

**What types of initatives can Opportunity Funds be used for?**

- Qualified opportunity zone stock acquired after Dec. 31, 2017
- Capital or profits interest in a domestic partnership acquired after Dec. 31, 2017
- Qualified opportunity zone business property acquired after Dec. 31, 2017
- Qualified opportunity zone business

SAMPLE INVESTMENT

## Opportunity Zones

**JANUARY 2, 2019**

Taxpayer receives $1M in capital gains generated from a sale

**JUNE 30, 2019**

Taxpayer has 180 days to contribute capital gains into a Qualified OZ Fund

The QOF invests the $1M in Qualified OZ Property

**JUNE 20, 2023**

Basis: 0K to 100K

Taxpayer basis increases by 10%. Basis is considered to start at zero when funds are first invested

**JUNE 30, 2025**

Taxpayer basis increases to 15%

Basis: 100K to 150K

**DECEMBER 31, 2026**

850K taxed

Deferral period ends. Taxpayer pays 85% in basis on OZ fund. Basis then increases to $1M

**JUNE 30, 2028**

Basis is Fair Market Value. Taxpayer sells investment for $3M. Taxpayer does not owe tax on appreciation of investment.

*Rules and Regulations subject to change per U.S. Treasury

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