



## NEW TAX INCENTIVE FOR INVESTING IN LOW-INCOME COMMUNITIES

The Opportunity Zones program was established by Congress in the Tax Cuts and Jobs Act as an innovative approach to spurring economic development by providing tax benefits for long-term, private-sector investments in low-income, urban and rural communities nationwide. You don't have to live or own property in a Qualified Opportunity Zone to receive tax benefits. Anyone with gains from the sale of stock or property can invest in an Opportunity Zone Fund and potentially receive tax benefits.

## THREE WAYS

to receive a tax benefit through  
the Opportunity Zones program:

### 1 TEMPORARY DEFERRAL

Taxpayers can invest their gains into an Opportunity Zone Fund and defer the tax on their gains until 2026. The deferred gain must be recognized on whichever comes first: either the date that the Opportunity Zone is disposed of or December 31, 2026.

### 2 STEP-UP IN BASIS

If investors hold their investments in Opportunity Zone Funds for five or seven years, a portion of the original deferred gains will be permanently forgiven. If investors hold funds for five years, they will have 10 percent of the deferred gain forgiven. Investors who hold funds for seven years will have 15 percent of the deferred gain forgiven.

### 3 PERMANENT EXCLUSION

If the investment is held for at least 10 years, any Opportunity Zone appreciation will be added to the basis of the Opportunity Zone investment, permanently escaping tax.

### OPPORTUNITY ZONE FUNDS

To receive these tax incentives, taxpayers invest in Qualified Opportunity Zone Funds. The Funds then invest in qualified businesses and properties located in Opportunity Zones. Opportunity Zones have been identified by each state's governor and approved by the U.S. Treasury.

#### EXAMPLE 1

- In 2018, John sells stock with a \$100,000 gain and, in a timely manner, invests the \$100,000 into a Qualified Opportunity Zone Fund. John is able to

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defer the tax he owes on his original \$100,000 gain until 2026. John holds the investment for 10 years, which gives him a temporary deferral, step-up in basis and permanent exclusion. In 2028, the investment is sold for \$150,000. The \$50,000 of appreciation will be added to John's basis in the project.

- The end result is that John only pays taxes on the original deferred gain less the 15-percent forgiveness (\$85,000) and will recognize no gain on the sale of the Opportunity Zone Investment if sold in year 10 or later. This would result in \$13,000 of permanent tax savings.

### EXAMPLE 2

- In 2018, Jane sells stock with a \$100,000 gain and, in a timely manner, invests the \$100,000 into a Qualified Opportunity Zone Fund. Jane is able to defer the tax she owes on her original \$100,000 of capital gains until 2026 or until she sells her interest in the Opportunity Zone Fund. She sells the investment in 2024 for \$130,000. The original deferred gain is triggered when she sells the investment, and 10 percent of the original gain is forgiven. Her total gain upon exit is \$120,000 instead of \$130,000. In addition, since Jane was able to invest pre-tax dollars, her gain was increased by \$6,000.
- The end result is that Jane receives a \$2,000 permanent tax benefit and has the opportunity to invest pre-tax dollars which increased her return on investment.

Find Opportunity Zone  
locations by visiting  
[warrenaverett.com/opportunityzones](https://warrenaverett.com/opportunityzones)

OUR TURF IS EVER EXPANDING  
TO HELP YOU  
THRIVE IN YOURS

For a current list of locations,  
visit [warrenaverett.com/offices](https://warrenaverett.com/offices)

### QUALIFIED OPPORTUNITY FUNDS: WHAT YOU NEED TO KNOW

To be a Qualified Opportunity Zone Fund, the entity will need to certify that 90 percent of its assets is Qualified Opportunity Zone property. Warren Averett is waiting for guidance from the U.S. Treasury for certification details. Qualified Opportunity Zone property includes:

- Qualified Opportunity Zone Stock
- Qualified Opportunity Zone Partnership Interest
- Qualified Opportunity Zone Business Property

For more information on Opportunity Zone Funds, contact your Warren Averett advisor.