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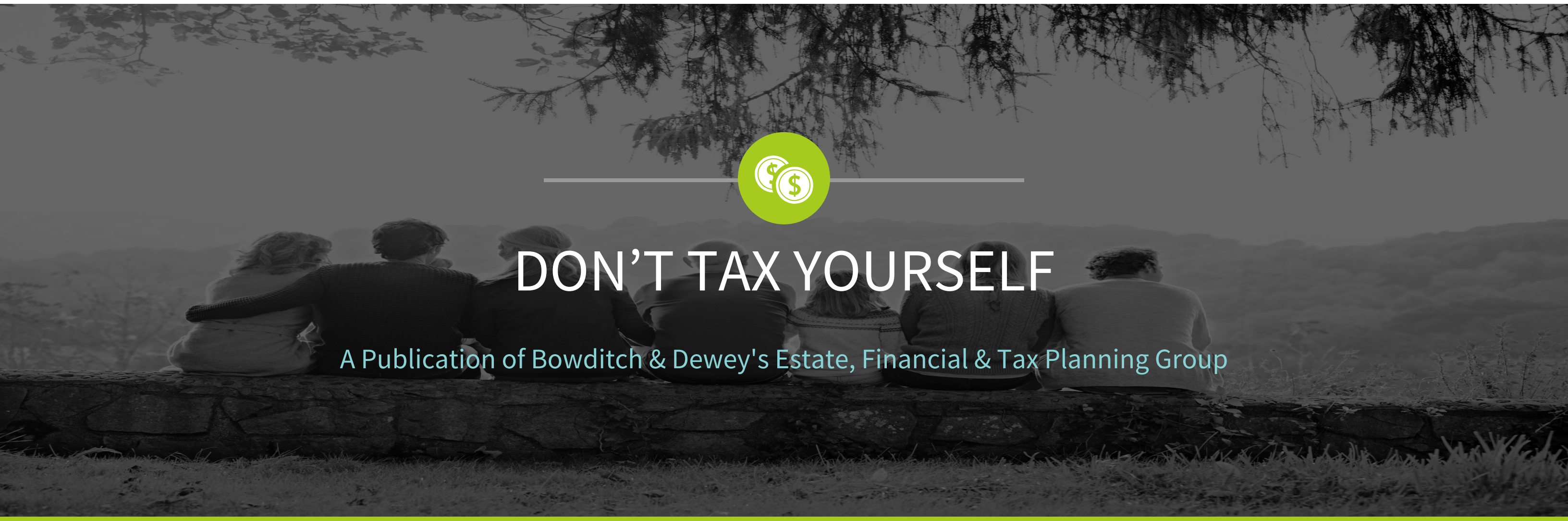

Clock Is Ticking on Opportunity Zones for Tax Year 2019

BY CHRISTOPHER R. ROCK • OCTOBER 7, 2019

With the end of 2019 fast approaching, real estate investors would be wise to take advantage of opportunity zones, a program that provides temporary deferments and permanent exclusion of taxable income to investors who support projects in specific low-income areas.

Created by the Tax Cuts and Jobs Act of 2017, the opportunity zones program allows investors to defer taxes owed on capital gains (i.e., profit from a previous investment, usually in stock or property) by investing these gains into one of 8,700 census tracts designated as opportunity zones. These gains are deferred until December 31, 2026, or the day the property is sold, whichever comes first. The money is invested through an Qualified Opportunity Fund the investor sets up.

As investors consider opportunity zones before tax year 2019 is up, however, it’s important to keep in mind recent proposed regulations, which have provided more clarity and guidance for investors. For example, proposed Treasury Department regulations would allow a 31-month safe harbor for working capital. Under this rule, assets must be spent on acquiring, constructing and/or substantially improving tangible property in a qualified opportunity zone within 31 months of receipt of those assets. Also, an existing business within an opportunity zone can’t simply self-certify as a qualified opportunity fund without acquiring new opportunity zone property.

Client Tip: It’s important to not let the “tax tail wag the investment dog”– the ultimate goal should be capital preservation and a degree of comfort with a long-term investment.