

QUALIFIED OPPORTUNITY ZONES

Qualified Opportunity Zones (QOZ) is a new benefit created with new tax reform legislation and is one of the largest incentives to taxpayers that we have seen in a long time. Although very complex in terms of timing, they are simple to set up and easy to maintain—absolutely worth the effort in terms of tax savings.

THE PURPOSE OF OPPORTUNITY ZONES

The legislation around opportunity zones is clear about the goal to create economic growth and improve blighted areas. We've seen similar benefits like this (which center on specific census tracts) but they have historically been less successful because of limited geography and the lack of a long-term strategy. QOZs require a longer and deeper commitment from the investor in order to make a real impact on the area, but they offer a much greater tax savings. If you're looking for tax savings on future investments with great appreciation potential—this is the vehicle for you.

BASICS OF INVESTING IN QUALIFIED OPPORTUNITY ZONES

Boiled down into its most basic parts, these are the four Phases of QOZ investment:

1. Invest gain from a sale into a Qualified Opportunity Fund (QOF). This defers the tax on that gain for up to 7 years, with a 15% reduction in tax. The deferred taxable gain is not recognized until 2026 or until the asset is sold or exchanged—whichever happens first.
2. The QOF then invests in new assets within the Zones and significantly improves them.
3. The Taxpayer permanently avoids tax on any and all appreciation of the assets in the QOF, as long as it's held for 10 years.
4. There are several important deadlines surrounding the purchase and reinvestment date of assets. Consult an expert to ensure you meet the deadlines and maximize the potential benefit.

Source: Robert Wiebe, Wiebe Hinton Hambalek, LLP

1031 EXCHANGES VS OPPORTUNITY ZONES

Factor	1031	OZ
Time to reinvest	45 day designation 180 days to close	<ul style="list-style-type: none"> • 180 days • 180 days from EOY • 30 months
Availability for state taxation	Yes- CA	No- CA
Cash to reinvest	Net sales price	Gain only
Like kind	Yes	No
Personal property	No	Yes
Deferral period on tax	Until replacement property is sold	2026 with reduction
Taxable gain on sale of property acquired	Yes	No
Geographic limits	None within US	Only designated zones



For a list of available property in the opportunity zones, contact:

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