

Opportunity Zone Investment Flowchart

Investor

Generally, an investor who sells an asset is subject to a max 20% capital gains tax rate.

Rather than pay this tax liability, the investor can invest the gain into a qualified opportunity zone fund ("OZ Fund") within 180 days

Income Tax Benefits:

- ✓ Immediate deferral of the capital gains tax liability.
- ✓ Up to 15% reduction on the capital gains tax liability, due and payable by year-end 2026.
- ✓ 100% tax-free disposition after tenth anniversary of the initial investment.
- ✓ Depreciation recapture exemption.

The investor can invest into a third-party managed OZ Fund, or form and manage their own OZ Fund.

Qualified Opportunity Fund

Must satisfy the following elements:

- ✓ Treated as a corporation or partnership for tax purposes.
- ✓ Must hold at least 90% of its assets in OZ Property (defined below), based on semi-annual testing dates.
- ✓ Formed for the purpose of investing in "OZ Property": 1) OZ Business Property or 2) newly-issued OZ Stock or Partnership interest

OZ Business Property

- ✓ Located in a qualified opportunity zone.
- ✓ Acquired from unrelated party after 2017*
- ✓ At least 70% of the property's use is in an OZ for at least 90% of the time.
- ✓ If already-existing property (i.e., an apartment building), must be "substantially improved" within 30 months*

* Safe harbors available



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OZ Stock or Partnership Interest

- ✓ Must conduct an OZ Business.
- ✓ Cannot be another OZ Fund.

OZ Business

- ✓ Treated as a corporation or partnership for tax purposes.
- ✓ Organized for the purpose of being a qualified opportunity zone business.
- ✓ Acquired by a qualified opportunity fund after 2017.
- ✓ At least 70% of the tangible property owned or leased is Qualified Opportunity Zone Business Property.
- ✓ At least 50% of its total gross income is derived from the active conduct of such business*
- ✓ At least 40% of its intangible property is used in the active conduct of such business.
- ✓ Less than 5% of the average unadjusted basis of its property is held in nonqualified financial property*
- ✓ It is not a "sin" business.