The OKLAHOMAN

NewsOK: Oklahoma City News, Sports, Weather & Entertainment

Opportunity zone program allows investors to possibly reduce taxes

by PAULA BURKES
Published: Fri, June 21, 2019 1:04 AM | Updated: Fri, June 21, 2019 1:26 AM

James Scears is an attorney with GableGotwals.

What is the qualified opportunity zone program?

The qualified opportunity zone program is a relatively new tax incentive program designed to encourage long-term investment in low-income communities, or qualified opportunity zones. For those willing to invest in a qualified opportunity zone, whether in real estate or an operating business, the program offers rich federal tax benefits.

What tax benefits are available?

The program offers three distinct tax benefits: An investor is allowed to defer paying tax on recognized capital gain (including from stock sales) by investing that capital gain in a qualified opportunity zone, and the deferral continues until the earlier of the date the investment is sold or Dec. 31, 2026; if the investor holds the investment for a sufficient time prior to the end of the deferral period, the amount of deferred gain is reduced — along with the corresponding tax liability on the deferred gain — by up to 15%; and if the investor holds the investment for at least 10 years, the investor will owe no tax on any post-acquisition gain on the investment when it is ultimately sold.

Who may invest?

Virtually any taxpayer is eligible to invest and enjoy the available tax benefits, including individuals, corporations, pass-through entities and trusts.

What else should taxpayers know about the program?

As with most tax incentive programs, the devil is in the details — compliance with complex rules is key for unlocking the available tax benefits. An investment must be made through a vehicle called a qualified opportunity fund, and separate rules govern how the fund must operate. The fund may invest directly in a zone or indirectly through an operating subsidiary, and if the fund invests indirectly (which will often make sense), separate rules also govern the operating subsidiary.

Timing the investment is also crucial — investment must generally be made within 180 days of the event triggering capital gain, and to enjoy all of the available tax benefits, investment must occur by the end of 2019, although investment may be made as late as mid-2027 and still capture some of the available tax benefits.

Finally, although participation in the program was initially slowed due to limited guidance, the Treasury has issued proposed guidance that, in most instances, is sufficient for projects that were previously stalled to move forward.

Paula Burkes, Business writer

PAULA BURKES

A 1981 journalism graduate of Oklahoma State University, Paula Burkes has more than 30 years experience writing and editing award-winning material for newspapers and healthcare, educational and telecommunications institutions in Tulsa, Oklahoma...

Read more ›