

Opportunity Zones

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The 2017 Tax Cut and Jobs Act created the federal Qualified Opportunity Zone (QOZ) program that offers flexible tax savings and diversification tools for taxpayers generating large capital gains. The goal of the program is to spur investments in economically challenged areas in order to promote business growth and economic revitalization, thereby providing social, community, and individual resident benefits. Individuals, C and S Corporations, REITs, partnerships, trusts, and other pass-through entities can sell their appreciated capital assets (both short-term and long-term) and elect to reinvest all or a portion of the capital gain income into Qualified Opportunity Funds (QOF).

To participate in the QOZ program, the taxpayer must generally roll all or a portion of their short-term or long-term capital gain into a QOF within 180 days of the recognition date of the gain. However, final regulations extend that period under certain fact patterns. The QOF must then timely invest the deferred gains into undeveloped or developed real estate, a new or existing QOZ-based business, or other qualified QOZ property.

How it Works:

A taxpayer investing \$1,000,000 of deferred tax gain into a QOF on June 30, 2018, will start with a \$0 tax basis in the QOF since the gain has not been recognized. On July 1, 2023, after meeting the 5-year holding requirement, the taxpayer will receive a 10% step-up to \$100,000, leaving \$900,000 of deferred tax gain; on July 1, 2025, the 7-year step-up of an additional 5% will bring the cumulative tax basis to \$150,000 and lower the deferred gain to \$850,000. On December 31, 2026, or an earlier disposition, the deferred gain of \$850,000 will be includable in the taxpayer's 2026 tax return, and their QOF tax basis will then be \$1,000,000 (\$150,000 basis step-up plus the \$850,000 deferred gain recognized).

Once the investor has held the QOF for at least ten years, the tax basis in the QOF will fluctuate with the changing fair market value, and the taxpayer can elect to exempt the post-investment federal tax gain upon disposition for as long as 2046 – allowing decades of potential tax-free appreciation.

The IRS Notice 2020-39 (summarized below) provides answers about Coronavirus-related extensions and other tax reliefs for QOFs and Investors.

For questions, reach out to our Opportunity Zone Team:

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Click here to view the [Opportunity Zones Map](#).

Click the button below to download our Opportunity Zone brochure:

Relief for Qualified Opportunity Funds and Investors Affected by Ongoing Coronavirus Disease 2019 Pandemic

The key components of [Notice 2020-39](#) (issued 6/04/2020) are listed below:

- This notice extends the termination date of the 180-day reinvestment period. The termination of the 180-day reinvestment period would otherwise end between April 1, 2020, and December 31, 2020, **will now have until December 31 to fund the Qualified Opportunity Fund (QOF)**. The prior COVID extension was July 15, under [Notice 2020-23](#).
 1. There are significant 2019/2020 long-term tax planning opportunities and a unique situation where a taxpayer might file a return (current extended due date – October 15) before funding their QOF. Amended returns will be allowed if the taxpayer had not estimated the funding amount before filing their return.
 2. This extension will avoid complications associated with the early adoption of the Final Regulations for taxpayers with pre-March 15th, 2020 gains.
- The **30-month “Substantial Improvement” test** (i.e., doubling of basis) is extended to at least 39 months (the regular April – December 2020 period is essentially frozen). Additional COVID-related extensions may also be available under the Opportunity Zone (OZ) Regulations.
- Failure to meet **the 90% qualified asset test** at the QOF level during any testing period falling in the April 1 – December 31, 2020 period is effectively ignored although IRS Form 8996 must still be completed and filed.
- **Working Capital Safe Harbor period** will also be extended from 31 to 55 months. Presumably, the 62-month period will also get extended to 86 months, but not confirmed.

- Lastly, Notice 2020-39 reinforces that any distributions and/or sale of partnership interests or QOF stock received by QOFs will have 12 extra months to reinvest in a manner consistent with pre-COVID-19 pandemic intentions. This extension also includes proceeds from the sale of QOF stock, Qualified Opportunity Zone Business Property (QOZBP), or partnership interests.
- Such property will retain its QOZBP status during that period. Tax gains during this period will still be taxable.

Tax Alerts

Updating Your Opportunity Zone Working Capital Safe Harbor Business Plan
August 15, 2023

Potential Opportunity Zone Extension for Federally Declared Disaster Zones
June 7, 2023

Opportunity Zone Legislation and IRS Examinations
December 19, 2022

Year-End Tax Planning for Opportunity Zone Investors
November 12, 2021

Opportunity Zone Legislative Update Effective June 1, 2021
May 28, 2021

OZONE ALCHEMY: Turning **Net** 1231 Gains into *Gross* 1231 Gains (and Losses)
February 24, 2021

IRS Notice 2021-10 Provides Additional Short-term Relief for Qualified Opportunity Fund Requirements
January 22, 2021

Opportunity Zone Fact Sheet
August 13, 2020

Opportunity Zone Funding Extension
June 11, 2020

COVID-19 Impact on Opportunity Zone Program Deadlines
April 28, 2020

Opportunity Zone (OZ) Final Regulations & Frequently Asked Questions
December 23, 2019

Options for Qualifying Your Pre-2018 Opportunity Zone Property
November 20, 2019

Tranche II OZ Regulations – A Long Wait But Generally Taxpayer Friendly
April 30, 2019

The State of Opportunity Zone Investing
January 30, 2019

Top 10 Things You Need to Know about the Federal Opportunity Zone Program
December 6, 2018

Opportunity Zone Executive Summary: Investment Diversification and Tax Savings Tool
November 30, 2018

Opportunity Zone Program - A Federal Tax Deferral and Permanent Savings Tool
August 1, 2018

Articles

Opportunity zone program still plenty viable for clients with gains
March 17, 2022

A Bit (coin) of Luck: Cryptocurrency Tax Gains Find Enhanced Value in the Land of OZ
January 25, 2021

The Opportunity Zone Program – More Than Just a Real Estate Tool
Bloomberg Tax, March 18, 2020

Five Hidden Gems in the Federal Opportunity Zone Program
Accounting Today, August 1, 2019

HCVT in the News

Deadline looms for updating Opportunity Zone plans
Accounting Today, September 6, 2023

Opportunity Zones: Tax reduction and Elimination Podcast Featuring Blake E. Christian
August 14, 2023

Enhancing Returns from Opportunity Zone Projects by Combining Federal, State, and Local Tax Incentives to Bolster Community Impact
Cityscape: A Journal of Policy Development and Research, April 14, 2022

Blake Christian Named as Top 25 Tax Specialist
Opportunity Zone Magazine, February 17, 2022

Year-end countdown begins for Opportunity Zone deadline
OpportunityZone.com, December 22, 2021

Investors are (legally) shielding crypto gains in opportunity zones
The Tax Adviser, November 17, 2021

What Investors Should Know About IRS Opportunity Zone 'Corrections'
Millionacres, A Motley Fool Service, August 31, 2021

Blake Christian Named as Top 25 Opportunity Zone Influencer
July 5, 2021

Five ways existing landowners can benefit from deploying land into a QOF
OpportunityZone.com, June 14, 2021

Funds Flood OZs as Program Faces Possible Rule Changes
BISNOW, May 13, 2021

Tax Benefits for Real Estate Investors
Millionacres, A Motley Fool Service, May 4, 2021

New York Nixes Opportunity Zone Break: Investor Impact?
Millionacres, A Motley Fool Service, April 20, 2021

Bitcoin Boom Got You Facing Tax Hit? Consider Opportunity Zone Investing
Millionacres, A Motley Fool Service, March 16, 2021

O-Zone Alchemy: Turning Net 1231 Gains Into Gross 1231 Gains (and Losses)
Bloomberg Tax, March 5, 2021

Cryptocurrency investors turn to opportunity zones for tax relief and social good
Accounting Today, February 19, 2021

New IRS Deadlines for Opportunity Zones: What Investors Should Know
Millionacres, A Motley Fool Service, January 27, 2021

Six Ways Opportunity Zone Expansion Can Aid COVID-19 Recovery
Accounting Today, September 2, 2020

Blake Christian, HCVT Tax Partner, Named Top 25 Opportunity Zone Influencer and Top 25 OZ Tax Specialist
June 30, 2020

Opportunity Zone Expansion Ideas to Aid in COVID-19 Recovery
Podcast Featuring Tax Partner, Blake Christian
The Opportunity Zone Database, June 24, 2020

Top 25 OZ Influencers 2020
Featuring Tax Partner, Blake Christian
OpportunityZone.com, June 23, 2020

Trump Administration Mulls Extending the Opportunity Zone Program. Observers Fill in the Blanks.
Featuring Tax Partner, Blake Christian
GlobeSt.com, June 5, 2020

Coronavirus Revised Deadlines and Timing Issues for Opportunity Zones and 1031 Investments
Podcast Featuring Tax Partner, Blake Christian
Mapable USA, May 8, 2020

How Opportunity Zones Can Give Shelter to CRE Investors During the Coronavirus
Featuring Tax Partner, Blake Christian
GlobeSt.com, April 22, 2020

Eight Opportunity Zone Gain Rules That May Aid Investors
Featuring Tax Manager, Alejandra Lopez
Law360, April 21, 2020

INSIGHT: The Opportunity Zone Program—More Than Just a Real Estate Tool
Featuring Tax Partner, Blake Christian
Bloomberg Tax, April 8, 2020

Navigating the Proposed Opportunity Zone Regulations: What You Should Know and Do in 2020
Podcast Featuring Tax Partner, Blake Christian
The Knowledge Group, February 5, 2020

Is it better to start a new business or relocate an existing one into an OZ?
Written by Tax Partner, Blake Christian
OpportunityZoneExpo.com, January 15, 2020

Opportunity zone managers and investors must act before year-end
Written by Tax Partner, Blake Christian and Tax Manager, Alejandra Lopez
The Tax Adviser, December 19, 2019

Year-End Tax Planning with Blake Christian
Park City Television, December 13, 2019

What should investors and opportunity fund managers be doing before year-end?

Written by Tax Partner, Blake Christian

Accounting Today, October 23, 2019

Is Your Opportunity Zone Fund REALLY an Opportunity Zone Fund?

Podcast Featuring Tax Partner, Blake Christian

Mapable USA, August 22, 2019

The Real Opportunity Zone Gold Rush Is Happening At Events, In Consultants' Offices

Featuring Tax Partner, Blake Christian

BISNOW, August 5, 2019

Five hidden gems in the federal opportunity zone program

Featuring Tax Partner, Blake Christian

Accounting Today, August 1, 2019

Opportunity Zone Investors Get Creative to Beat Tax Perk Deadline

Commentary by Glenn Dance, HCVT Tax Partner

Bloomberg Law News, July 24, 2019

Opportunity Zone Participation Window Expires June 28

Featuring Tax Partner, Blake Christian and Tax Manager, Alejandra Lopez

Accounting Today, June 25, 2019

Opportunity Zones Investment: Navigating Potentials (Webinar)

Featuring Tax Partner, Blake Christian

The Knowledge Group, June 24, 2019

The Shifting Sands of Economic Development: Welcome to the "O" Zone

Featuring Tax Partner, Blake Christian

League of California Cities: 2019 Mayors & Council Members Executive Forum, June 20, 2019

Opportunity Zone Regulations: Tranche II clarifies important information

Featuring Tax Partner, Blake Christian and Tax Manager, Alejandra Lopez

Accounting Today, May 22, 2019

Tax Consequences: The Most Overlooked Aspect of the State of Opportunity Zone Investing

Podcast Featuring Tax Partner, Blake Christian

Mapable USA Podcast, May 7, 2019

Opportunity Zone Investing: Reinvestment Requirements and the 180-day Time Frame

Accounting Today, April 3, 2019

CRE Awards 2019: A Closer Look at the Qualified Opportunity Zone Program
Los Angeles Business Journal, March 8, 2019

Opportunity Zones Could Deliver Big Returns To Long Beach Neighborhoods, Investors
Featuring Tax Partner, Blake Christian
Long Beach Business Journal, February 25, 2019

Impact of Opportunity Zones on Affordable Housing Not Yet Clear
Featuring Tax Partner, Blake Christian
Urban Land, February 14, 2019

Self-Storage Investors Tiptoe into Opportunity Zones
Featuring Tax Partner, Blake Christian
SpareFoot Storage Beat, February 12, 2019

Qualified Opportunity Zone Program, Interview
Featuring, Blake Christian
Park City Television, November 15, 2018

How to Invest in Opportunity (Zones)
Featuring Tax Partner, Blake Christian
U.S. News, November 2, 2018

Entrepreneur Converts Shipping Containers Into Affordable Housing
KPCW Radio, April 17, 2018

Resources

Opportunity Zone Fund Directory
January 3, 2019