

Qualified Opportunity Zones and Related Developments

The Opportunity Zone Program

- The Opportunity Zones program was introduced as part of the Tax Cuts and Jobs Act of 2017
- The framework for the program is included in two sections of the Internal Revenue Code:
 - Section 1400Z-1: Governed the process for designating census tracts as “qualified opportunity zones”
 - Section 1400Z-2: Governs eligibility of investments for the tax benefits available under the program
- Proposed Treasury Regulations were released in October 2018 and on April 16, 2019, helping to provide clarity on many of the questions left unanswered in the original statute.

*See: <https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>.

Public Policy Motivations

- The bipartisan think-tank, Economic Innovation Group (“EIG”)* introduced the concept of the opportunity zone to address certain ongoing economic problems:
 - Recovery from the Great Recession has been uneven, with certain areas fully recovering while other areas still suffer from high unemployment
 - Areas that continue to struggle with high unemployment also struggle with attracting new investment
 - Investors who have done well in the past decade want to cash out or reinvest their capital gains, but do not want to pay capital gains taxes

*See: <https://eig.org/wp-content/uploads/2015/04/Unlocking-Private-Capital-to-Facilitate-Growth.pdf>

Program Framework

- The Opportunity Zones program is an attempt to address both underinvestment in low-income areas and investor concern about paying capital gains taxes
 - Allows for deferral of tax on any capital gains reinvested in a “qualified opportunity fund”
 - Qualified opportunity funds must have at least 90% of their assets invested in businesses located in any area designated as a “qualified opportunity zone”
 - Areas designated as “qualified opportunity zones” were nominated by the governors of each U.S. state and territory

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](https://utcle.org/elibrary)

Title search: Qualified Opportunity Zones and Related Developments

Also available as part of the eCourse

[2019 William W. Gibson, Jr. Mortgage Lending and Servicing eConference](#)

First appeared as part of the conference materials for the 53rd Annual William W. Gibson, Jr. Mortgage Lending and Servicing Institute session "Qualified Opportunity Zones and Related Developments"