

Moreno Valley

Opportunity Zones



MORENOVALLEY
CALIFORNIA

www.morenovalleybusiness.com

Q. WHAT IS AN OPPORTUNITY ZONE?

A. An Opportunity Zone is an economically-distressed area where new investment, under certain conditions, may be eligible for preferential tax treatment. Opportunity Zones were added to the tax code by the Tax Cuts and Jobs Act on December 22, 2017.

Q. WHAT IS THE PURPOSE OF OPPORTUNITY ZONES?

A. Opportunity Zones are an economic development tool—that is, they are designed to spur economic development and job creation in distressed communities by providing tax benefits to investors. First, investors can defer tax on any prior gains until the earlier of the date on which an investment is sold or exchanged, or December 31, 2026, so long as the gain is reinvested in a Qualified Opportunity Fund. Second, if the investor holds the investment in the Opportunity Fund for at least ten years, the investor would be eligible for an increase in basis equal to the fair market value of the investment on the date that the investment is sold or exchanged.

Q. WHAT IS A QUALIFIED OPPORTUNITY FUND?

A. Qualified Opportunity Fund is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in an Opportunity Zone and that utilizes the investor's gains from a prior investment for funding the Opportunity Fund.

Q. DO I NEED TO LIVE IN AN OPPORTUNITY ZONE TO TAKE ADVANTAGE OF THE TAX BENEFITS?

A. No. You can get the tax benefits, even if you do not live, work or have a business in an Opportunity Zone. All you need to do is invest in a Qualified Opportunity Fund.

Q. I AM INTERESTED IN INVESTING IN AN OPPORTUNITY ZONE. IS THERE A LIST OF OPPORTUNITY ZONES AVAILABLE?

A. Yes. The census tracts approved in Moreno Valley are designated. (see map)

Q. HOW DOES A TAXPAYER BECOME CERTIFIED AS A QUALIFIED OPPORTUNITY FUND?

A. To become a Qualified Opportunity Fund, an eligible taxpayer self certifies. (Thus, no approval or action by the IRS is required.) To self-certify, a taxpayer will complete a form (which will be released in the summer of 2018) and attaches that form to the taxpayer's federal income tax return for the taxable year. (The return must be filed timely, taking extensions into account.)

Q. WHAT DOES AN OPPORTUNITY ZONE OFFER?

The Qualified Opportunity Zone program offers three distinct tax benefits, all of which are designed to reward long-term investments in distressed, low-income communities:

1. A **temporary tax deferral of capital gains** that are redeployed into a Qualified Opportunity Fund. The gain will be deferred until the earlier of: the date on which the investment in the Qualified Opportunity Fund is sold, or December 31, 2026.
2. A **capital gain reduction through a basis adjustment** for gains that are redeployed into a Qualified Opportunity Fund. A taxpayer who holds an interest in a Qualified Opportunity Fund for at least five years can increase his investment basis by 10% of the deferred gain (and an additional 5% if the investment is held for seven years), thereby potentially eliminating 15% of the original gain from taxation.
3. A **permanent gain exclusion on the appreciation of interest** in the Qualified Opportunity Fund. If a taxpayer holds an interest in a Qualified Opportunity Fund for at least 10 years, no tax will be due on the appreciation of the Qualified Opportunity Fund, other than the original deferred gain that must be recognized by December 31, 2026.

See www.irs.gov for more information on Opportunity Zones and Opportunity Funds



Disclaimer: The City of Moreno Valley does not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.