Florida Opportunity Zones

- Potential to eliminate poverty
- Areas with business activity
- More than 1,200 tracts proposed
- 427 tracts nominated
Formation of an Opportunity Zone Fund

STEP 1: Capital Gain

STEP 2: Formation of Qualified Opportunity Fund

STEP 3: QOF acquires Qualified Opportunity Zone Property
Partial Forgiveness of Original Gain & Total Forgiveness on Additional Gains

Original Gain Realized

180 Days

Original Gain Invested

Held for 5 years

Realization

Investment

Held for 7 years

Basis increased by 10% of deferred Original Gain (i.e. taxed on only 90%)

December 31, 2026

Held for 10 years

Basis increased by another 5% of deferred Original Gain (i.e. taxed on only 85%)

Forgiveness of gains on appreciation above Original Gain investment

Basis Equals FMV

Realization Investment

Held for 5 years

Held for 7 years

Held for 10 years

180 Days

180 Days

Forgiveness of gains on appreciation above Original Gain investment

Basis Equals FMV

Realization Investment
QOF’s Direct or Indirect Ownership in OZ

**Investor**

**QOF**

**Partnership/Corporation**

**QOF owns equity interest in Partnership or Corporation that Operates a Qualified Opportunity Zone Business**

**QOF directly owns QOZ Business Property**

**New QOZ Business**
- Expansion of existing business into QOZ
- Improvement of existing business already located in QOZ

**Construction of new asset**
- Substantial improvement of existing asset
Hot off the presses – Opportunity Zone Proposed Regulations

- Published last Friday (October 19, 2018)
- Treasury is encouraging investment in opportunity zones
- Some key areas of guidance include:
  - Definitions of eligible gain and taxpayers allowed to invest
  - Working capital safe harbor
  - Clarified 10-year hold period timing considerations
  - Clarified substantial improvement test on acquisition of land and building
  - “Substantially all” with respect to QOZB and QOZBP
- Still some open issues
- Further clarification promised this year
Thank you

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