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Tax Reform's New Incentives for Investments in Low-Income Communities: Part 3

HIGHLIGHTS:

- [Part 1](#) and [Part 2](#) of this series of Holland & Knight alerts described a new tax incentive contained in the Tax Cuts and Jobs Act for investments in low-income communities designated as "Opportunity Zones."
- In Part 3, we discuss the benefits for investing taxpayers, namely the deferral or partial exclusion of gain from the sale or exchange of an asset by a taxpayer who invests in a Qualified Opportunity Fund, as well as the potential exclusion of gain from disposition of an investment in an Opportunity Fund.
- Part 3 also highlights recently issued guidance on nominating census tracts as Opportunity Zones and recently enacted legislation providing for the automatic treatment of all low-income census tracts in Puerto Rico as Opportunity Zones.

Part 1 and Part 2 of this series of Holland & Knight alerts described a new tax incentive contained in the Tax Cuts and Jobs Act (the Act) for investments in low-income communities designated as "Opportunity Zones." The Opportunity Zone incentive and related rules are now codified in Sections 1400Z-1 and 1400Z-2 of the Internal Revenue Code.

- [Part 1](#) of this series set forth the process for nomination by state governors and designation of Opportunity Zones by the U.S. Department of the Treasury.
- [Part 2](#) focused on the requirements for formation and certification of an Opportunity Fund and the rules governing its operations.

In this third and final alert in the series (Part 3), we discuss the benefits for investing taxpayers, namely the deferral or partial exclusion of gain from the sale or exchange of an asset by a taxpayer who invests in a Qualified Opportunity Fund¹ (Opportunity Fund), as well as the potential exclusion of gain from disposition of an investment in an Opportunity Fund (Opportunity Fund Investment). Part 3 also highlights recently issued guidance on nominating census tracts as Opportunity Zones² and recently enacted legislation providing for the automatic treatment of all low-income census tracts in Puerto Rico as Opportunity Zones.

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