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States Must Act Now on Opportunity Zone Tax Incentives That Target Low-Income Communities.

The IRS and the Community Development Financial Institutions Fund (CDFI Fund) simultaneously released guidance yesterday on the procedure for designating population census tracts as Qualified Opportunity Zones (QOZ). States must act quickly if they want to designate any QOZs, which will be eligible for federal tax incentives designed to encourage new capital investment in those areas.

The ability to designate QOZs was provided to States—which in this case also includes the District of Columbia and U.S. possessions—by The Tax Cuts and Jobs Act—enacted on December 22, 2017. In fact, the only formal role of a State in this process would be to submit its nomination of census tracts to be designated as a QOZ to the Secretary of the U.S. Department of the Treasury by March 21, 2018.

IRS Revenue Procedure 2018-13 provides a "safe harbor" for States that rely on the CDFI Fund's Opportunity Zone Information Resource, which identifies more than 41,000 population census tracts that are eligible for designation as QOZs. The Revenue Procedure also promises further information on the nomination process in coming weeks, including how States can access Treasury's online Nomination Tool for QOZs and how to request a 30-day extension of the nomination period, from March 21 to April 20, 2018. In the period before the submission deadline, a State can review the requirements for designation and compile its list for timely submission. (The CDFI Fund's information resource is available here.)

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by the Public Finance Group

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