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Tax Reform's New Incentives for Investments in Low-Income Communities: Part 2

Certification and Operation of Qualified Opportunity Funds

HIGHLIGHTS:

- [Part 1 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.” Part 1 also explained the process for nomination by state governors and designation of Opportunity Zones by the U.S. Department of the Treasury.
- In Part 2, we discuss the requirements for formation and certification of an Opportunity Fund and the rules governing its operations. A qualified Opportunity Fund is defined as any investment vehicle organized as a corporation or a partnership for the purpose of investing in “qualified opportunity zone property,” and that holds at least 90 percent of its assets in “qualified opportunity zone property.”
- In an upcoming Part 3, we will discuss benefits for investing taxpayers.

[Part 1 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 is now embodied in Sections 1400Z-1 and 1400Z-2 of the Internal Revenue Code. Part 1 of this series discussed the process for nomination by state governors and designation of Opportunity Zones by the U.S. Department of the Treasury. Part 2 discusses the requirements for formation and certification of an Opportunity Fund and the rules governing its operations. In an upcoming Part 3, we will discuss the benefits for investing taxpayers, namely the deferral or exclusion from gain from the sale or exchange of an asset by a taxpayer who invests in an Opportunity Fund, as well as the potential exclusion of gain from disposition of an investment in an Opportunity Fund.

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