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Investing In Qualified Opportunity Zones.

The new tax law created a new investment vehicle called " qualified opportunity funds" that have tax advantages. The rationale for the tax benefits is to direct resources to low-income communities – "qualified opportunity zones." Each state nominates communities as qualified opportunity. Qualified opportunity zones can be found by going here.

"A qualified opportunity fund is an investment vehicle that can be organized as a corporation or a partnership that holds at least 90% of its assets in qualified opportunity zones," says John Bowen, cofounder of BSW Inner Circle and author of *Elite Wealth Planning: Lessons from the Super Rich*. "From the date of sale of an appreciated asset, the investor has 180 days to invest in a qualified opportunity fund. The investor receives either stock or an interest in the fund."

According to Edward Renn, an internationally acclaimed tax lawyer at WithersBergman, "There are a number of tax incentives of qualified opportunity funds including (1) the deferral of capital gains taxes from the sale of appreciated assets until the earlier of December 31, 2026 or the disposition of the qualified opportunity fund, (2) possibly lowering of the capital gains tax up to 15% because of an increase in the basis of the appreciated assets used to buy the fund interest, (3) possibly eliminating capital gains due on the appreciation in a qualified opportunity fund if it is held for 10 years or longer."

Example: Sale of a Business

John sold a business for a $12 million capital gain in June of 2018. John located three properties in two Qualified Opportunity Zones with a total purchase price of $12 million. John formed a limited partnership as his Qualified Opportunity Fund and his attorney made sure the partnership agreement contained appropriate language to be treated as a Qualified Opportunity Fund.

If John holds the Qualified Opportunity Fund until December 31, 2026 instead of paying $671,000 in federal tax by April 15, 2019, $570,000 of tax will be due by April 15, 2027.

The tax reduction is attributable to the 10% basis bump after holding the Qualified Opportunity Fund for five years and an additional 5% basis bump for holding the Qualified Opportunity Zone for seven years.

If John waits at least ten years to sell the three properties consisting of the Qualified Opportunity Fund investments, any gain on the properties will escape tax.

John gets eight years of federal tax deferral, a reduction of 15% on the deferred gain, and tax-free proceeds on the sale of the Qualified Opportunity Zone property.

Forbes

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I am president of R.A. Prince & Associates, Inc. I consult with family offices, the ultra-wealthy and *select professionals.*

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