SHINE BRIGHT
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URBAN RENEWAL INVESTMENT COULD BE A BOON TO REAL ESTATE

Added to the U.S. tax code by the Tax Cuts and Jobs Act of 2017 was a new community development program known as Opportunity Zones - a plan intended to spur economic development and job creation in distressed communities across the country by steering private sector investments to these low-income communities.

Specifically, an Opportunity Zone is an economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment with regard to capital gains. Localities will qualify as Opportunity Zones if they have been nominated as such by the state and certified by the Secretary of the U.S. Treasury.

The plan requires governors in each state and the mayor the District of Columbia to designate 25 percent of their state's low-income census tracts as Qualified Opportunity Zones, subject to Department of the Treasury certification.

Already, several thousand zones in California alone have been deemed eligible for designation as Qualified Opportunity Zones, and investors can get the available tax benefits for investing in designated zones even if they don't live, work or have a business in that zone as long as they hold the investment for 10 years or more. They need only invest in a Qualified Opportunity Fund.

According to an IRS-released FAQ, investors may self-certify as a Qualified Opportunity Fund by filing a form with their federal tax return.

In 2018, Treasury Department and the Internal Revenue Service provided more details, including 18 states with designated Opportunity Zones. The new legislation is expected to open new opportunities for the real estate industry as a whole.

More information is available at Treasury.gov and IRS.gov.