



## Opportunity Zones

The Opportunity Zones Program is a new community development program established in the *Tax Cuts and Jobs Act of 2017* to encourage long-term investments in low-income urban and rural communities designated as an Opportunity Zone.

### Opportunity Zone Designation

This program uses low-income community census tracts as the basis for determining areas eligible for Opportunity Zone designation.

Governors in every U.S. state and territory have 90 days from December 22, 2017 to designate up to 25 percent of the total number of low-income census tracts in a state as Opportunity Zones.

The U.S. Department of Treasury must then approve or provide feedback within 30 days of the Governor's submissions. Once approved Opportunity Zone designations will remain in place for 10 years.

If this timeline follows without extension, Governors will submit recommendations prior to March 31, and designations will be finalized no later than April 30.

### Opportunity Zone Funds

Opportunity Funds are private sector investment vehicles that invest at least 90 percent of their capital in Opportunity Zones. This program offers three tax incentives to investors for putting their capital to work in low-income communities:

- *Temporary tax deferral* for capital gains reinvested in an Opportunity Fund.
- *Step-up in basis* for capital gains reinvested in an Opportunity Fund. The basis of the original investment is increased by 10% if the investment in the qualified opportunity zone fund is held by the taxpayer for at least 5 years, and by an additional 5% if held for at least 7 years, excluding up to 15% of the original gain from taxation.
- *Permanent exclusion from taxable income of capital gains* from the sale or exchange of an investment in a qualified Opportunity Zone Fund, if the investment is held for at least 10 years. This exclusion applies to the gains accrued from an investment in an Opportunity Fund, not the original gains.

**Next Steps:** NALCAB will be monitoring the program closely and keeping abreast of any changes, deadlines extensions, etc. Members should contact their appropriate state agency for information and/or application materials.

You can find a list of eligible zones here: <http://bit.ly/2C1rCM9>

You can find additional resources on Opportunity Zones at the [Economic Innovation Group website](#), or via a recent [blog posted by Enterprise Community Partners](#).

