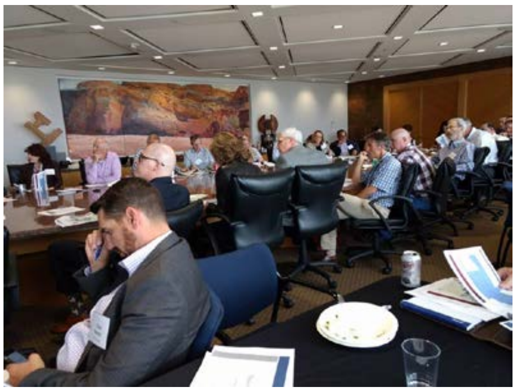
Plenty of development opportunities in Opportunity Zones

Members and guests filled a conference room at the Downtown Phoenix office of Snell & Wilmer and were treated to a rousing discussion of newly-created Opportunity Zones at the April 19 REIAC Southwest Lunch and Learn.

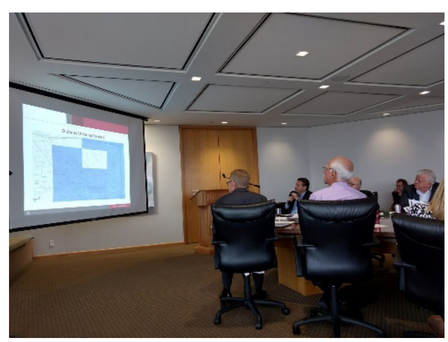


Opportunity Zones have the potential to be a significant development tool for real estate developers and investors. It was created by the recent tax reform laws. These zones apply to individuals, corporations, and trusts and allow capital gains to be invested tax deferred to encourage private capital investment in economically distressed areas.

“It’s a way to drive capital more efficiently,” said Marc Schultz, a partner at Snell & Wilmer and one of the presenters. Schultz's practice is concentrated in federal, local and state taxation matters, including complex transactions involving corporate, limited liability companies, limited partnerships, tax exempt entities, and real property.

“The benefits to investors could be significant,” said Jim Howard Jr., principal DV Financial Services, the other presenter.

Arizona submitted its nominations for Opportunity Zones to the U.S. Department of the Treasury on the March 21 deadline. On April 9, Arizona’s Opportunity Zone nominations were approved by the U.S. Treasury Department, making Arizona one of the first states to have its zones officially designated.



The federal Opportunity Zones program allows each state’s governor to nominate up to 25 percent of the qualifying low-income Census tracts as Opportunity Zones. It was created under a provision of the Tax Cuts and Jobs Act, which was signed into law December of 2017.

The Arizona Commerce Authority identified Arizona’s qualifying Census tracts. It then worked with city, county, and tribal governments to determine which of those tracts had the most potential for development projects that would benefit the community. The 168 Census tract nominations cover every Arizona county.

Click here to view the Arizona Census Tracts that were nominated for designation as Opportunity Zones.

Investors who reinvest capital gains in Opportunity Zone funds will receive reductions on capital gains taxes relative to the years of their investment:

>> Investments held 10 years: taxable amount of the capital gains reinvested is reduced by 15 percent and no tax is owed on appreciation.

>> Investments held 7 years: taxable amount of the capital gains reinvested is reduced by 15 percent.

>> Investments held 5 years: taxable amount of the capital gains reinvested is reduced by 10 percent.