



FINDING OPPORTUNITIES IN OPPORTUNITY ZONES

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We Need a Taxpayer



**“DAYS AFTER RETIRING, ROB
GRONKOWSKI SELLS BOSTON CONDO
FOR \$2.3 MILLION”**
Los Angeles Times

What's
in it for
me?

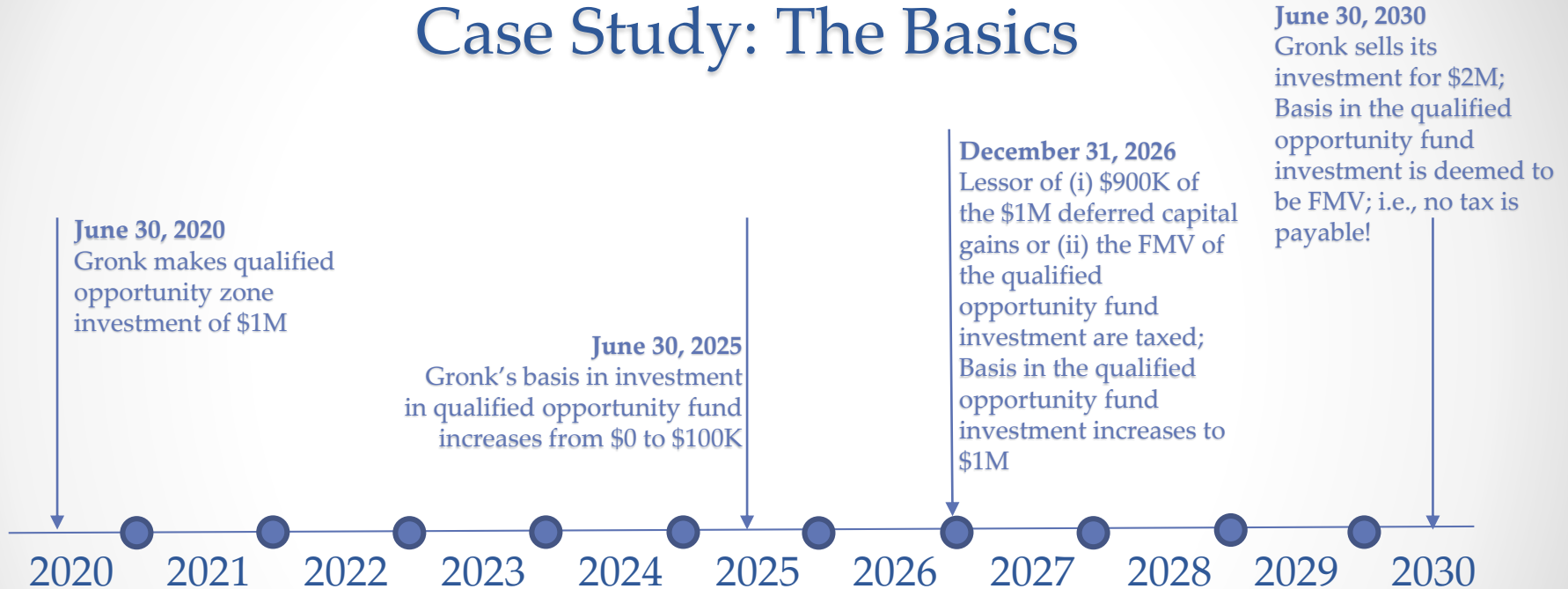


Opportunity Zone Benefits

- **Deferral:** Through investment in an Opportunity Fund, an investor can temporarily defer capital gains taxes until 2026
- **Reduction:** The investor can reduce the original amount of capital gains by 10% if the investment is held for 5 years and another 5% if it is held in the Opportunity Fund investment for 7 years.
- **Exemption:** Capital gains on qualified investments accrue tax-free if held for at least 10 years.



Case Study: The Basics



Investment in a Qualified Opportunity Fund

Who: Taxpayer with eligible capital gains

What: Equity Investment

Where: Qualified Opportunity Fund

When: 180 days

Eligible Taxpayer = Any taxpayer that recognizes capital gains for Federal income tax purposes.



Target

Starts on the day the capital gain would be recognized if TP did not elect to defer.



Qualified Opportunity Fund

(1) Any investment vehicle taxed as a **Partnership** or **Corporation**

(2) With the Purpose of Investing in **Qualified Opportunity Zone Property**



TopTipsClub

(3) That holds at Least **90%** of its **Assets** in **QOZ Property**

Qualified Opportunity Fund

Self-Certify

Form 8996 (December 2018) Department of the Treasury Internal Revenue Service	Qualified Opportunity Fund ▶ Go to www.irs.gov/Form8996 for the latest information. ▶ Attach to your tax return. See instructions.	OMB No. 1545-0123 Attachment Sequence No. 996
Name		Employer identification number
Part I General Information and Certification		
<p>1 Type of taxpayer: <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership</p> <p>2 Is the taxpayer organized for the purpose of investing in qualified opportunity zone property (other than another qualified opportunity fund)? <input type="checkbox"/> No. STOP. Do not file this form with your tax return. <input type="checkbox"/> Yes. Go to line 3.</p> <p>3 Is this the first period the taxpayer is a Qualified Opportunity Fund? <input type="checkbox"/> Yes. By checking this box, you certify that by the end of the taxpayer's first qualified opportunity fund year, the taxpayer's organizing documents include a statement of the entity's purpose of investing in qualified opportunity zone property and the description of the qualified opportunity zone business. See instructions. <input type="checkbox"/> No. Go to Part II.</p> <p>4 If "Yes" on line 3, list the first month in which the fund chooses to be a Qualified Opportunity Fund.</p>		
Part II Investment Standard Calculation		
5 Total qualified opportunity zone property held by the taxpayer on the last day of the first 6-month period of the taxpayer's tax year. See instructions if Part I, line 3 is "Yes"	5	
6 Total assets held by the taxpayer on the last day of the first 6-month period of the taxpayer's tax year. See instructions if Part I, line 3 is "Yes"	6	
7 Divide line 5 by line 6.	7	
8 Total qualified opportunity zone property held by the taxpayer on the last day of the taxpayer's tax year	8	
9 Total assets held by the taxpayer on the last day of the taxpayer's tax year	9	
10 Divide line 8 by line 9.	10	
Part III Qualified Opportunity Fund Average and Penalty		
11 Add lines 7 and 10	11	
12 Divide line 11 by 2.0. See instructions if Part I, line 3 is "Yes"	12	
13 Is line 12 equal to or more than .90? <input type="checkbox"/> Yes. Enter -0- on this line and file this form with your tax return. <input type="checkbox"/> No. The fund has failed to maintain the investment standard. Complete Part IV to figure the penalty. Enter the penalty from line 8 of Part IV on this line, and file this form with your tax return	13	
Cat. No. 37820G		Form 8996 (12-2018)



Case Study: Investment Timing



January 1:

Gronk sells his Boston condo, which results in capital gains

June 1:

Gronk reinvests the capital gains in a qualified opportunity fund



January



June



December

Case Study: Investment Timing

January 1:

Gronk sells his Boston condo, which results in capital gains

August 1:

Gronk reinvests the capital gains in a qualified opportunity fund



January

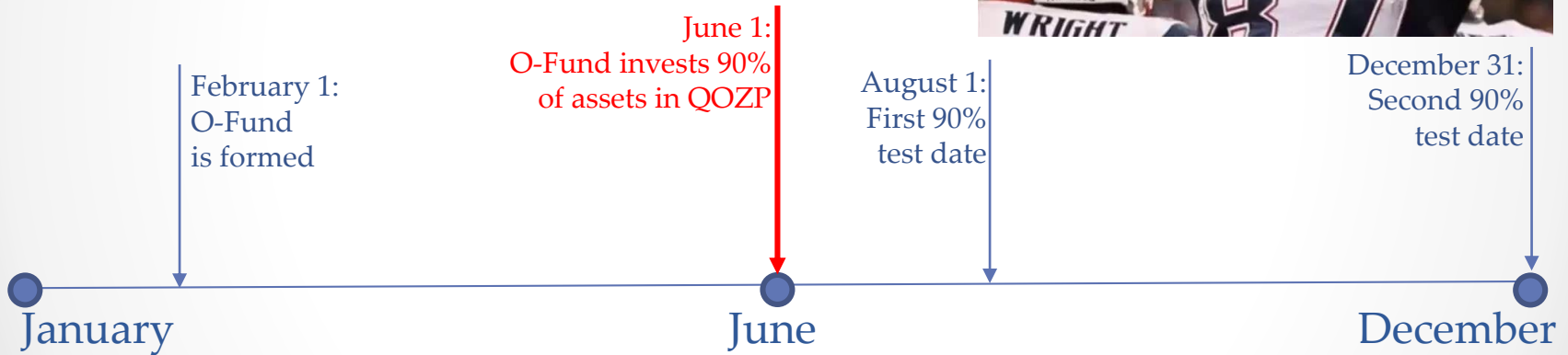


June

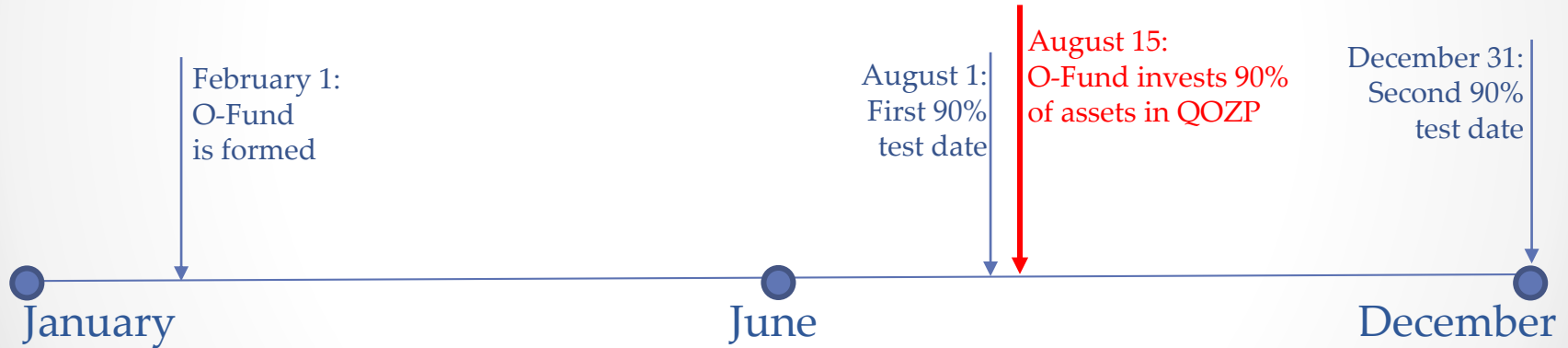


December

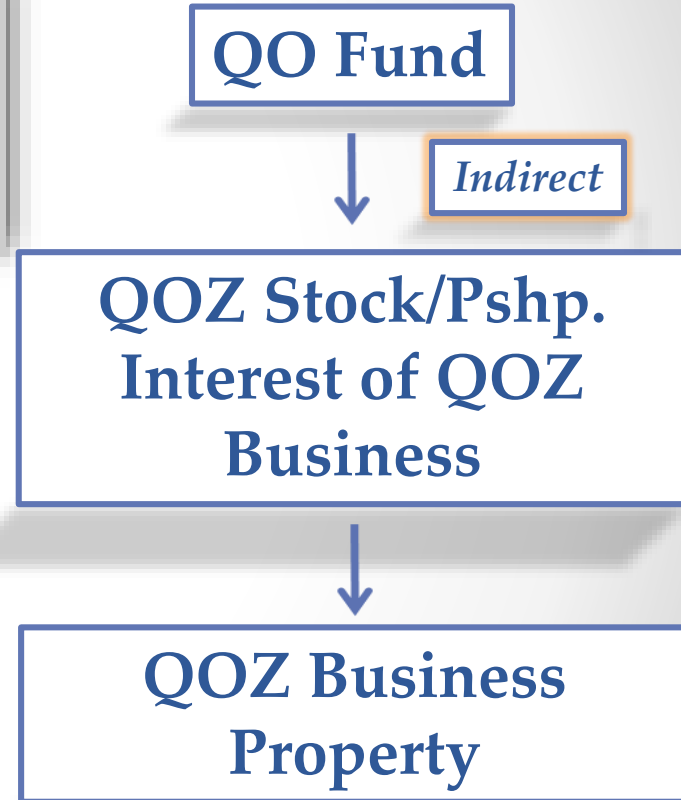
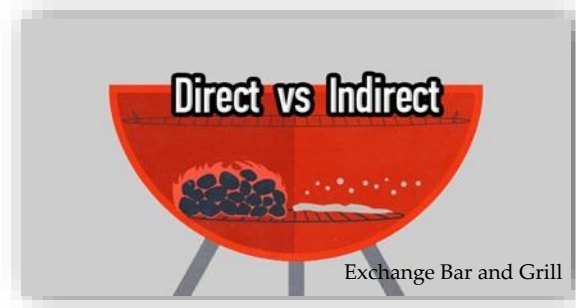
Case Study: O-Fund Deployment of Funds



Case Study: O-Fund Deployment of Funds

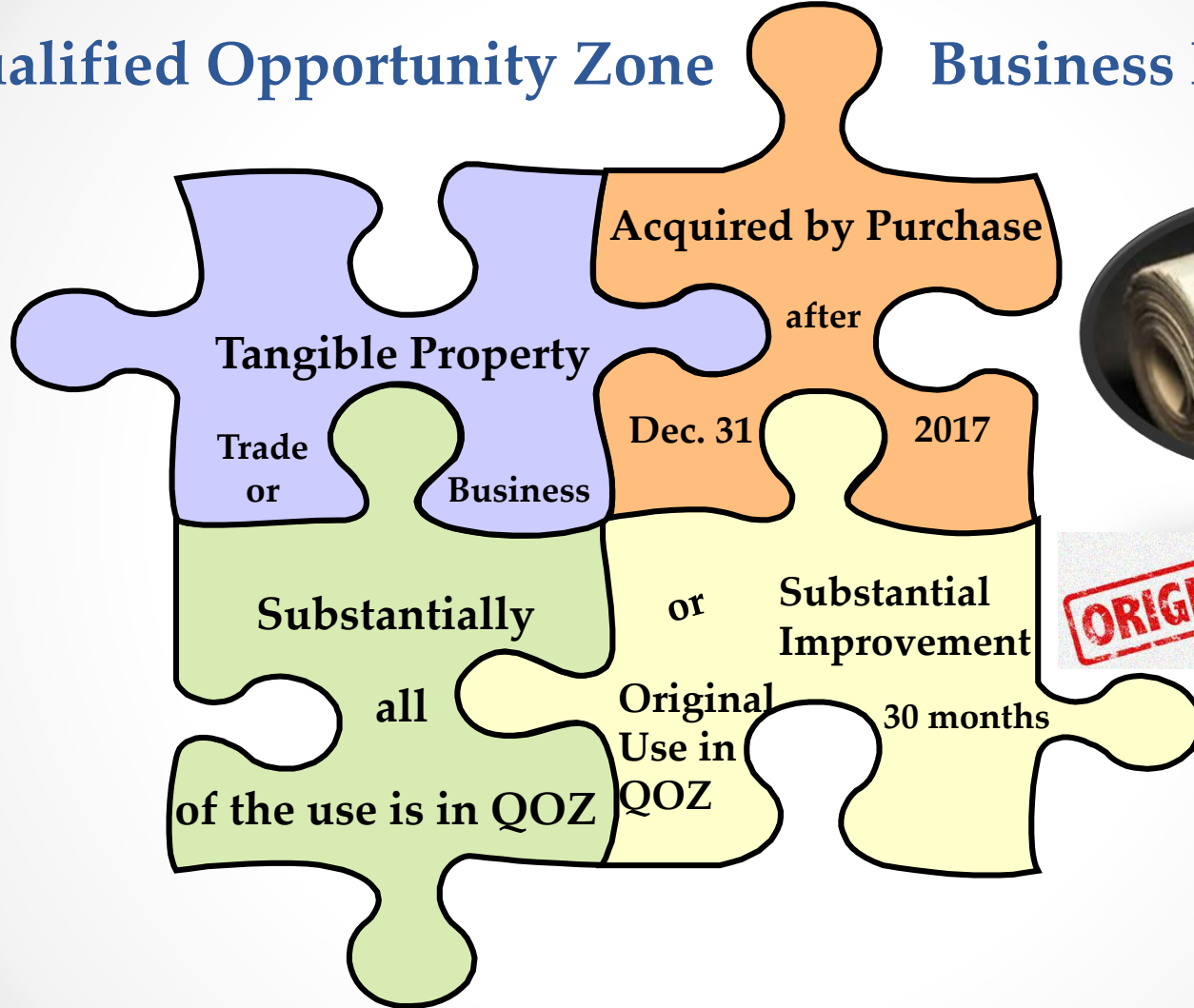


Qualified Opportunity Zone Property



Qualified Opportunity Zone

Business Property



Uptown Dallas Properties

Qualified Opportunity Zone Business

NQFP
Restriction
5%

NO Sin
Business!

Trade or Business

Substantially all (70%) tangible
property owned or leased is QOZ
Business Property

"Reasonable
amount" of
working capital - 31
months

At least 50% of the income is derived from
the active conduct in the QO Zone

A "substantial portion" of intangible property used
in the active conduct of the business is used in the
QO Zone



Summary

TP w/ eligible capital gains

180 days

QO Fund

Corp./ Pshp.

Acquires QOZ Property

QOZ Business Property

QOZ Stock/Pshp. Interest of QOZ Business

QOZBP: Tangible property; acq. by purchase after 12/31/17; original use/ sub. improvement; used in QOZ

QOZBusiness: TorB; 70% tangible assets are QOZBP; 50% income from QOZ; sub. portion intangible property used in QOZ

Satisfies 90% Assets Test

Self-Certifies as a QOF (Form 8996)

Case Study: Putting it all Together



Option 1

- Equity investment in hot tub facility business
- Hot tub facility would be newly constructed
- Land for facility purchased on 1/1/18
- Purchase price for land: \$100K
- Adjusted basis in facility upon completion: \$1M
- Business located entirely in QOZ



Option 2

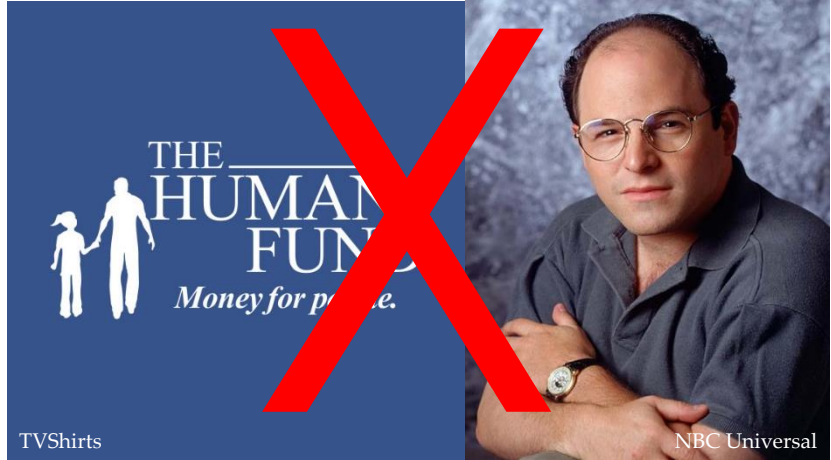
- Equity investment in pub business
- Building housing pub would be rehabilitated
- Land and building acquired by business on 12/31/17
- Purchase price for building: \$300K
- Adjusted basis for building upon completion: \$1M
- Business located entirely in QOZ

Case Study: Putting it all Together



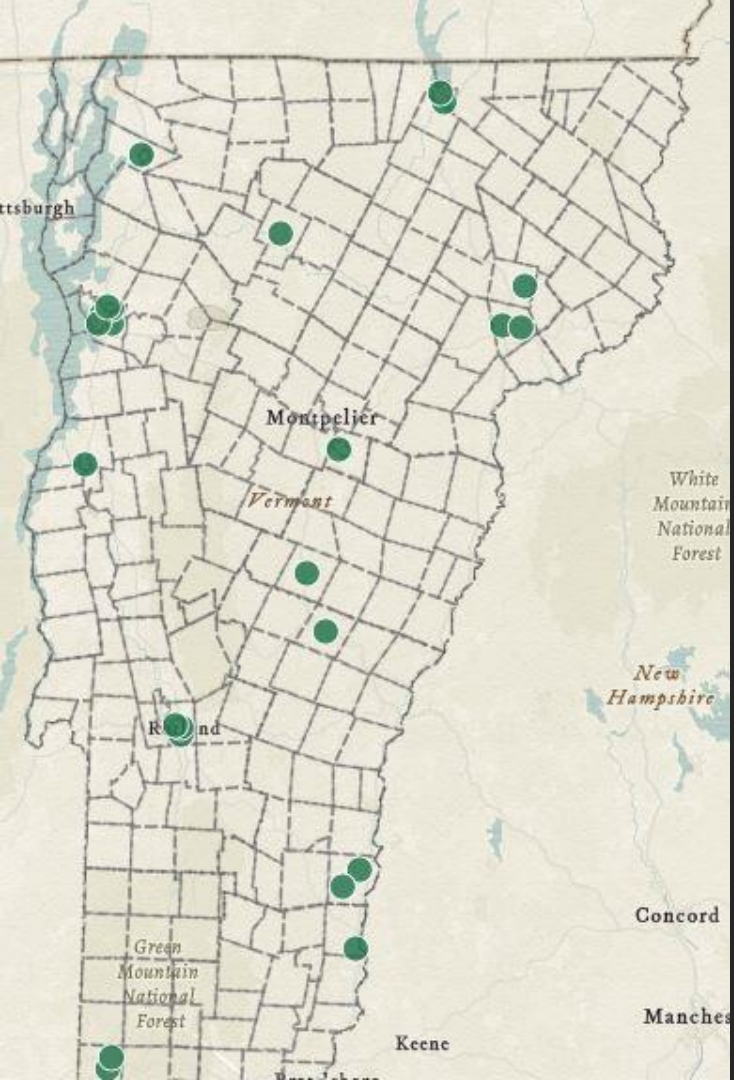
Option 3

- Direct investment in motel property
- Existing (historic) building would be rehabilitated
- Land and building to be acquired by O-Fund
- Purchase price for building: \$500K
- Adjusted basis for building upon completion: \$900K
- Business located entirely in QOZ



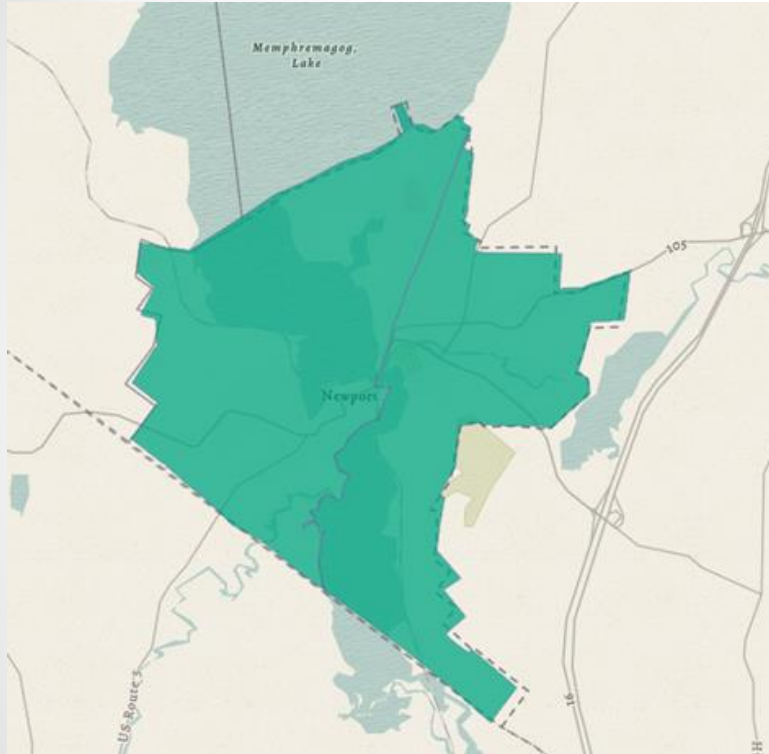
Option 4

- **Loan** to the Human Fund, a 501(c)(3) non-profit
- Non-profit headquarters would be rehabilitated
- Land and building acquired by non-profit on 9/1/18
- Purchase price for building: \$500K
- Adjusted basis for building upon completion: \$1M
- Business located entirely in QOZ

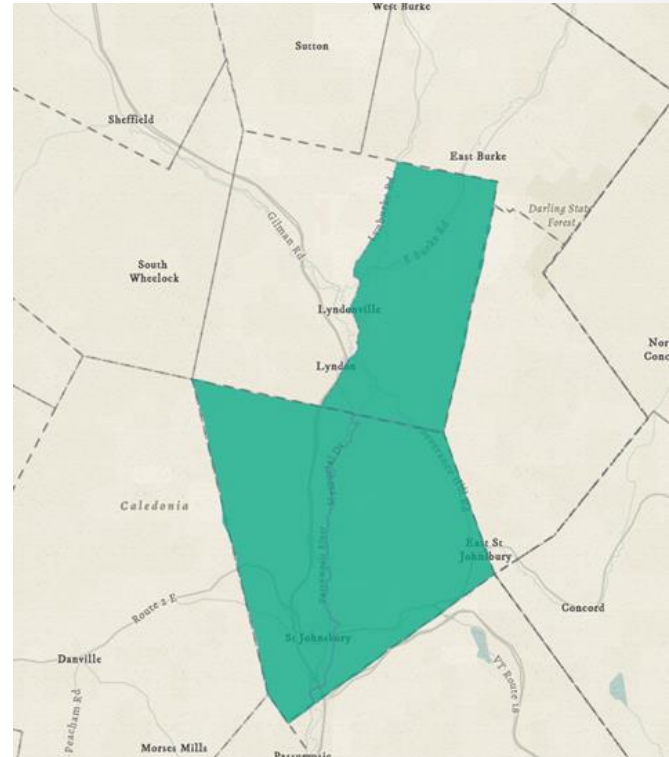


Vermont's Opportunity Zones

Know Your Zone



Newport



St. J/ Lyndonville

Case Study: Location, Location, Location



- The Pizza Man Restaurant
- 663 Broad Street, Lyndonville, VT
- In NMTC Census Tract



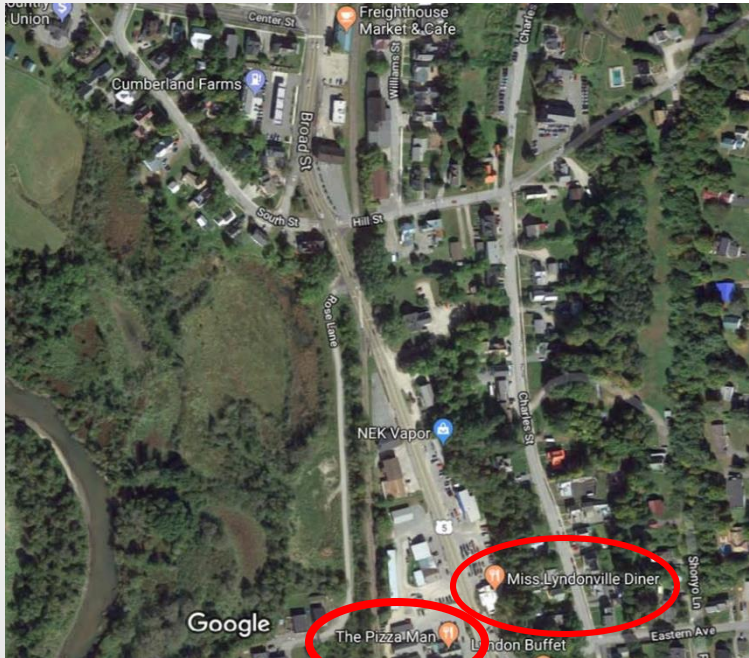
- Miss Lyndonville Diner
- 686 Broad Street, Lyndonville, VT
- In NMTC Census Tract

PIZZA?



PANCAKES?

Case Study: Location, Location, Location



The Pizza Man

Miss Lyndonville Diner

QUESTIONS?

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