



# TaxNewsFlash

## United States

No. 2018-078  
February 27, 2018

### **Qualified opportunity zones, revised census tracts offer new investment options**

The U.S. Treasury Department's Community Development Financial Institutions Fund (CDFI Fund) today issued a release announcing revised information concerning census tracts that are eligible for nomination as "qualified opportunity zones" (QOZs).

Today's [CDFI Fund release](#) [PDF 118 KB] states the "opportunity zones information resource" data have been updated from information provided earlier in February 2018 to include all census tracts that meet the new markets tax credit (NMTTC) program's "low-income community" definition and additional contiguous census tracts eligible for designation as a QOZ.

The revised list of census tracts eligible for designation as a QOZ is available on the [CDFI Fund website](#).

The CDFI Fund release also states that the IRS is currently working on guidance related to the certification of qualified opportunity funds and eligible investments in QOZs. The IRS "welcomes comments" (which may be sent to an address provided in today's CDFI Fund release).

#### **Background**

New U.S. tax law (Pub. L. No. 115-98, enacted December 22, 2017) provides for the temporary deferral of inclusion in gross income of gains invested in a qualified opportunity fund and the permanent exclusion of such gains from the sale or exchange of an investment held for at least 10 years in a qualified opportunity fund.

A qualified opportunity fund is an investment vehicle organized as a corporation or a partnership for the purpose of investing in and holding at least 90% of its assets in "qualified opportunity zone property." QOZ property includes any QOZ stock, any QOZ partnership interests, and any QOZ business property.

The designation of a QOZ is the same as the low-income community designation for the new markets tax credit. The certification of a qualified opportunity fund will be done by the CDFI Fund, similar to the process for allocating the NMTC.

The IRS on February 8, 2018, released Rev. Proc. 2018-16 as guidance to the “chief executive officers” of any U.S. state, U.S. possession, and the District of Columbia regarding the procedure for designating population census tracts as QOZs for purposes of sections 1400Z–1 and 1400Z–2 as added to the Code by the new tax law.

[Rev. Proc. 2018-16](#) [PDF 47 KB] clarifies the nomination process under section 1400Z-1 by informing the CEOs of each state about which census tracts in their jurisdictions are eligible to be nominated to be qualified opportunity zones and by providing the requirements and due dates for the nomination, certification, and designation of the zones. The revenue procedure also provides a safe harbor for applying the 25% limitation to the number of population census tracts in a state that may be designated as QOZs. Read [TaxNewsFlash-United States](#)

## **KPMG observation**

The Tax Credit and Energy Advisory Services group in KPMG’s Washington National Tax practice may help with investments in QOZ funds.

For more information, contact a tax professional with KPMG’s Washington National Tax:

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