TaxNewsFlash

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U.S. Treasury updates list of opportunity zones (May 2018)

The U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund) has updated the list of opportunity zone designations pursuant to measures in the new tax law (Pub. L. No. 115-97, enacted December 22, 2017).

The first round of opportunity zones in 15 states and three territories was released in April 2018, and then updated April 18, 2018. Read ***TaxNewsFlash***

The latest update reflects a total of 46 states and six territories (American Samoa, District of Columbia, Puerto Rico, Guam, the Virgin Islands, and the Northern Marianas Islands). Read the latest update on the **CDFI Fund webpage** dedicated to opportunity zone resources. A notation on this webpage states:

> *This list is current as of **May 18, 2018** and will be updated regularly as new designations are made. Please note that the list of designated tracts on this website is not the official list. The official list will be published in the Internal Revenue Bulletin at a later date.*

A list of **opportunity zones frequently asked questions** (FAQs) appears on the IRS website, and indicates that it was last reviewed or updated May 22, 2018.

Background

The new U.S. tax law (Pub. L. No. 115-97) generally provides for the temporary deferral of inclusion in gross income on gains reinvested in a qualified opportunity fund and the permanent exclusion of 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.

- Qualified opportunity zone property includes any qualified opportunity zone stock, any qualified opportunity zone partnership interests, and any qualified opportunity zone business property.

The IRS in February 2018 issued 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 qualified opportunity zones for purposes of sections 1400Z–1 and 1400Z–2 as added to the Code by the new tax law. Read ***TaxNewsFlash***

As noted in an **April 2018 release** from Treasury, qualified opportunity zones retain this designation for 10 years. Investors can defer tax on "any prior gains" until no later than December 31, 2026, provided that the gain is reinvested in a qualified opportunity fund. Also, if the investor holds the investment in the qualified opportunity fund for at least 10 years, the investor would be eligible for an increase in its basis, in an amount equal to the fair market value of the investment on the date that it is sold.

KPMG observation

It is not clear whether Treasury's use of the words "any prior gains" in the April 2018 release is intended to signal that pre-enactment gains and gains other than capital gains may be eligible for this deferral.

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

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