



Qualified Opportunities Zones

**Reinvesting capital gains to unlock
new tax savings**

Qualified opportunity zones introduce a new tool—open to taxpayers—for deferring and reducing capital gains to unlock substantial tax incentives. The new tax law's objective is to promote long-term investment in qualified opportunity zones across the country.

2018

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Spotlight

The new tax law in the United States (Pub. L. No. 115-97, enacted December 22, 2017) provides for the temporary deferral of inclusion in gross income for gains reinvested in a qualified opportunity fund (QOF) and the permanent exclusion of gains from the sale or exchange of an investment fund in a qualified opportunity held for at least 10 years.

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

Potential benefits



Temporary deferral of capital gain by investing in a QOF until the earlier of the disposition of the investment or December 31, 2026.*



Deferred gain recognized may be reduced by 10 percent to 15 percent if the investment is held for five or seven years.



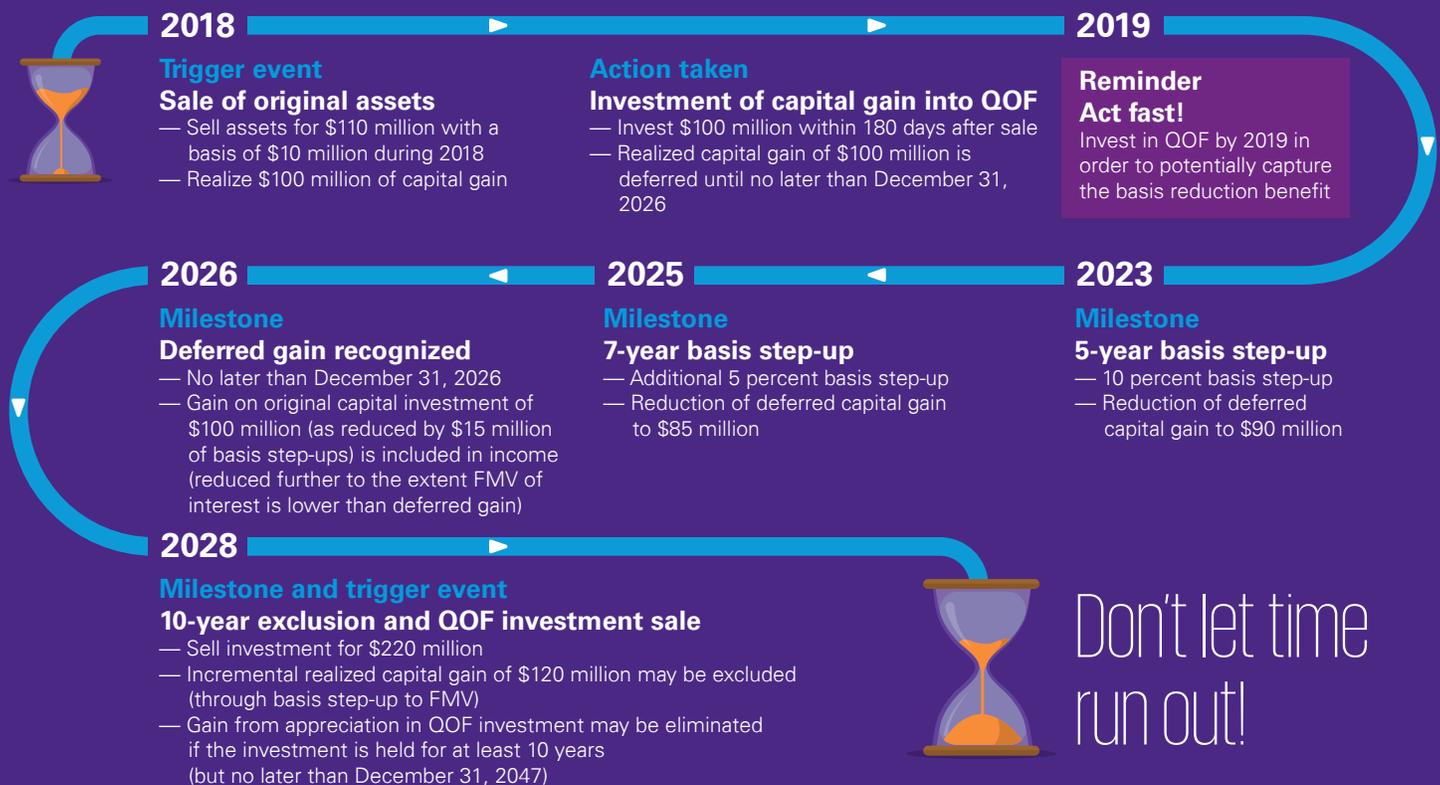
Gain from appreciation in QOF investment may be eliminated if the investment is held for at least 10 years.**

*The deferred gain recognized under item 1 may be reduced to the extent the fair market value of the investment is less than the deferred gain.

**Gain exclusion only applies to a disposition of the investment in the QOF.

Derive the potential QOZ benefit

Example: QOZ investments made during 2018



How KPMG can help

Opportunity zone advice can be provided to you by our leading specialists who advise on QOZ transaction, QOZ modeling, and QOZ tax reporting related matters. Our opportunity zone services include:

- Provide a review for qualification purposes of the gain to be deferred under the QOZ rules
- Review formation documents for the QOF and Qualified Opportunity Zone Business (QOZB) as a partnership or corporation
- Review contribution and partnership agreements for federal and state tax implications
- Assist the QOF and QOZB in evaluating whether acquired assets (or assets to be acquired) satisfy the QOF qualified asset test and QOZB business tests
- Provide tax reporting services with respect to the QOF and QOZB
- Provide audit and advisory services, as needed
- Monitor continuing qualification of QOF and QOZB status under the QOZ requirements
- Identify and initially validate QOZ designated properties, along with state and local business incentives to enhance business investment opportunity.



About KPMG

Capturing potential QOZ benefits involves a cross-functional approach. Addressing the needs of our clients related to QOZ investment, KPMG has assembled a diverse team of specialists who are able to provide a wide-ranging suite of services that mitigate risk, enhance efficiencies, and deliver value.

We believe that our experience and knowledge can help you address today's challenges and prepare for tomorrow's QOZ opportunities.

For more insights, visit KPMG's dedicated opportunity zone web page here: read.kpmg.us/opportunity-zones.

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