

Helping Clients Understand New Tax Incentives Program for Long-Term Investments in Economically-Distressed Communities Nationwide

The Tax Cuts and Jobs Act added the Opportunity Zones concept as Section 1400Z to the Internal Revenue Code, which is designed to incentivize private investment in low income areas. That section of the Code allows the governors of each state to designate certain low income census tracts as an Opportunity Zone (OZ) and the governor of every state has done so. To participate, investors must create an Opportunity Fund (OF) to invest in new projects in an OZ, typically with moneys obtained from the recent sale of existing assets. The benefits to the OF investors are the possible deferral and reduction of federal income tax on any capital gain that arose from the sale of those existing assets and may arise in the future from a subsequent sale of the investor's interest in the OF. Unlike previous Congressional attempts to spark investment in low income areas, the OZ legislation is meant to make investment in these census tracts relatively easy, unlimited, and unburdened by unrealistic requirements.

Locke Lord has formed a working group to address specific client needs and questions on the Treasury Department's "Opportunity Zones" program. While the OZ incentives are potentially quite significant, the rules are complicated and we are expecting important guidance from the Internal Revenue Service before the end of the year. The team has been actively working on those investments and advising clients with:

- creation of an OF;
- investment in, and qualifying investments made by, the OF;
- construction of projects in the OZ; and
- federal income tax consequences resulting from those transactions.

In addition our core OZ team will involve Locke Lord lawyers with knowledge and specific experience on a zone-by-zone basis.

KEY CONTACTS



Cynthia Bast
Partner
Austin
512-305-4707
cbast@lockelord.com



Todd L. Cooper
Partner
Cincinnati | Boston
513-688-8434 | 617-239-0160
todd.cooper@lockelord.com



Heather Stone
Partner
Boston
617-951-3331
heather.stone@lockelord.com



Raj Bandla
Senior Counsel
Austin
512-305-4749
raj.bandla@lockelord.com



Karl P. Fryzel
Of Counsel
Boston
617-517-5577
karl.fryzel@lockelord.com

ABOUT LOCKE LORD LLP

Locke Lord is a full-service law firm with global reach and 20 offices designed to meet clients' needs in the United States and around the world. The Firm has a history that spans more than 130 years and is a leader in the middle market arena. Locke Lord advises clients across a broad spectrum of industries while providing a wealth of experience through its complex litigation, intellectual property, tax, regulatory and transactional teams.