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## OPPORTUNITY ZONES - JUST THE BASICS

Greetings!

The Tax Cut and Jobs Act of 2017 was created at the end of 2017 to provide financial incentives for those who invest in Qualified Opportunity Zones throughout the country. Each state/municipality registered districts that were basically seen as challenged areas in need of an economic boost. These areas suffer from urban blight, poverty and issues where reinvestment in the community would be beneficial. Click here to see the Georgia Map of Opportunity Zones: <http://www.arcgis.com>

The benefit to the investor in a qualified Opportunity Zone Fund is very much like that of a 1031 Tax Free Exchange as authored by the Internal Revenue Service. A few noted attributes of the OZ rules:

- Capital Gains from a previous investment can go into a qualified OZ fund. The CG can be from real estate or other assets sales (making it different from a 1031 exchange which was limited to like kind real estate exchanges).
- The fund invests in real estate, businesses or improvement into an area in the zone.
- The fund or investor will have to sell before the end of 2026
- There is a step up in the taxable basis to the invested gain in years 5 (10% step up in basis) and 7 of the holding period (an additional 5% step up in basis). If it is held for 10 years, there is a step up in the entire basis of the gain to the fair market value

By way of example, if you sold your company for \$15 million and your basis was \$5 million, you can invest the \$10 million in gains in a qualified opportunity zone fund and receive these benefits. Depending on your income tax bracket today, your capital gains rate is 0%, 10% or 15%. This exchange benefit which has usually only been for real estate investors doing a 1031 Tax Deferred Exchange.

### **THE CHALLENGES**

There are a few regulations with this OZ investment that are unclear. The government (IRS) is trying to give clarity to the investment community on how to proceed...but they are doing so at government speed. The frustration is mounting, because there are a number of people who will be paying huge taxes if they can't get a quick solution. There are time limits from the date you have a sale to the date you get into a fund to qualify for these benefits. Also, the time clock on the sunset in 2026 isn't changing, and the clock is winding down quickly.

There is an investor we know who has \$300 million that he got from the sale of his company, and he would like to defer the gains from the sale. He sold in August and has to have a solution soon, or he will have to recognize a huge tax burden. One can see that a tax strategy here will save

millions.

**Take a look at our Investment Profile of the Month.**

Profile of the Month:

**SHAMROCK GARDENS APARTMENTS**  
**343 UNITS**  
**SOUTH WEST ATLANTA**  
**OPPORTUNITY ZONE**



**What we like:**

- 100% leased
- In Opportunity Zone
- Rents subsidized by Atlanta Housing Authority

**What we don't like:**

- Nothing

**Are You an Investor?**

We are in pursuit of several investments. If you are an accredited investor and want to be considered for one of these offerings, please reach out to us. Call us today to learn more at 404-698-3535 or [djibbs@tristarinvest.com](mailto:djibbs@tristarinvest.com).

Sincerely,

TriStar Real Estate Investment

