



OPPORTUNITY ZONE

Opportunity zones are an outcome of the 2017 Federal Tax Cuts and Jobs Act. The program provides tax incentives for investment of patient capital into development projects and businesses in qualified low-income census tracts that have experienced a lack of capital investment and business growth.

WHO IS ELIGIBLE

An opportunity fund that is investing in a designated opportunity zone can be eligible to receive the tax benefits of the program.

An opportunity fund is a self-certified investment vehicle organized as a corporation or partnership for the purpose of investing in qualified opportunity zone property, and that holds at least 90 percent of its assets in the zone property stocks, partnership interests or business property.

Michigan has 288 designated census tracts included in the opportunity zone program. Maps showing the census tracts by prosperity regions can be found at www.michigan.gov/opportunityzones. Smart Growth America also has a very helpful *mapping tool*.

HOW DOES IT WORK

There are three types of tax incentives for investment in opportunity zones:

I. Temporary Deferral: A temporary deferral of inclusion in taxable income for capital gains reinvested into an opportunity fund. The deferred gain must be recognized on the earlier of the date on which the opportunity zone investment is disposed of or December 31, 2026.

II. Step-Up in Basis: For capital gains reinvested in an opportunity fund the basis is increased by 10 percent if the investment in the opportunity fund is held by the taxpayer for at least five years and by an additional 5 percent if held for at least seven years, thereby excluding up to 15 percent of the original gain from taxation.

III. Permanent Exclusion: A permanent exclusion from taxable income of capital gains from sale or exchange of an investment in an opportunity fund if the investment is held for at least 10 years. This exclusion only applies to gains accrued after an investment in an opportunity fund.

More information on the program can be found on the following web sites:

Michigan State Housing Development Authority

Economic Innovation Group

U.S. Department of Treasury—Community Development Financial Institutions (CDFIs) Fund

Holland & Knight

Council of Development Finance Agencies

Enterprise

CONTACT INFORMATION

For more information, contact the Community Assistance Team (CAT) specialist assigned to your territory or visit www.miplace.org.