



# Qualified Opportunity Zones (QOZ)

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# Opportunity Zone Program

- ❖ **Opportunity Zones program enacted to encourage investment in low-income communities**
- ❖ **Created by the Tax Cuts and Jobs Act passed on December 22, 2017**
- ❖ **A Qualified Opportunity Zone (QOZ) is an economically distressed Census tract where investments in new projects may qualify for capital gains tax deferral or partial abatement**
- ❖ **Census tracts qualify as an QOZ if they meet the criteria, have been nominated by the state, and that nomination has been certified by the Secretary of the U.S. Treasury**
- ❖ **Opportunity Zones are designed to be an Economic Development tool to attract new investments**

**Source:** U.S. Internal Revenue Service

# Investing in Opportunity Zones

- ❖ **Investments made in projects located in Opportunity Zones must be made through an Opportunity Fund**
- ❖ **An Opportunity Fund is an investment vehicle set up as either a partnership or corporation for investing in eligible projects located in an Opportunity Zone**
- ❖ **The process for establishing an Opportunity Fund has not yet been established by the IRS**

**Source:** U.S. Internal Revenue Service

# Tax Advantages

## Temporary Deferral

A temporary deferral for capital gains reinvested into an Opportunity Fund

Deferred gain must be recognized on the earlier of the date the opportunity zone investment is disposed of or December 31, 2026

## Step-Up in Basis

A step-up in basis for capital gains reinvested into an Opportunity Fund

The basis is increased by 10% if the investment is held for 5 years and by an additional 5% if held for at least 7 years, thereby excluding up to 15% of the original gain from taxation

## Permanent Exclusion

A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in an opportunity fund if the investment is held for 10 years

Only applies to gains accrued after an investment in an opportunity fund

# Opportunity Zones Nomination Process

- ❖ **Nominations by each state limited to no more than 25% of eligible tracts**
- ❖ **Nevada had 243 eligible tracts and nominated the maximum of 61 tracts**
- ❖ **Governor's Office of Economic Development (GOED) sought public comment before recommending eligible tracts for Governor Sandoval's consideration**
- ❖ **GOED also solicited input from the Regional Development Authorities (RDAs)**
- ❖ **GOED's recommendations to Governor Sandoval were based on the number of potential projects and investment for each eligible census tract**

# NNDA Recommendations

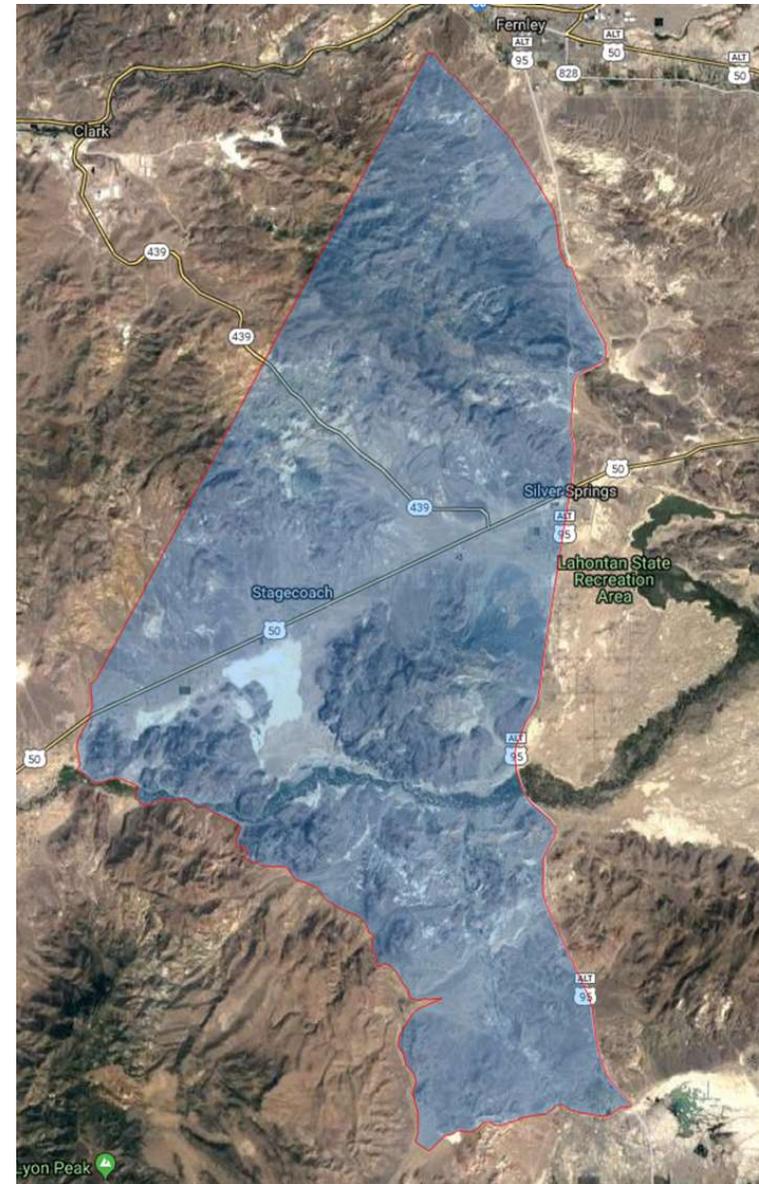
- ❖ **NNDA submitted input for 10 Census tracts in the Sierra Region, with 6 of the 10 located in Lyon County**
  
- ❖ **Input based on two criteria**
  - **Projects that already had been submitted to county planning departments**
  - **Internal knowledge of potential projects**
  
- ❖ **NNDA Secondary Review and Final Recommendation**
  
- ❖ **4 of the 10 tracts submitted were selected by Governor Sandoval**

# Sierra Region Opportunity Zones Lyon County

## Silver Springs and Stage Coach

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Sierra Region  
Opportunity Zones  
Lyon County

**Fernley**



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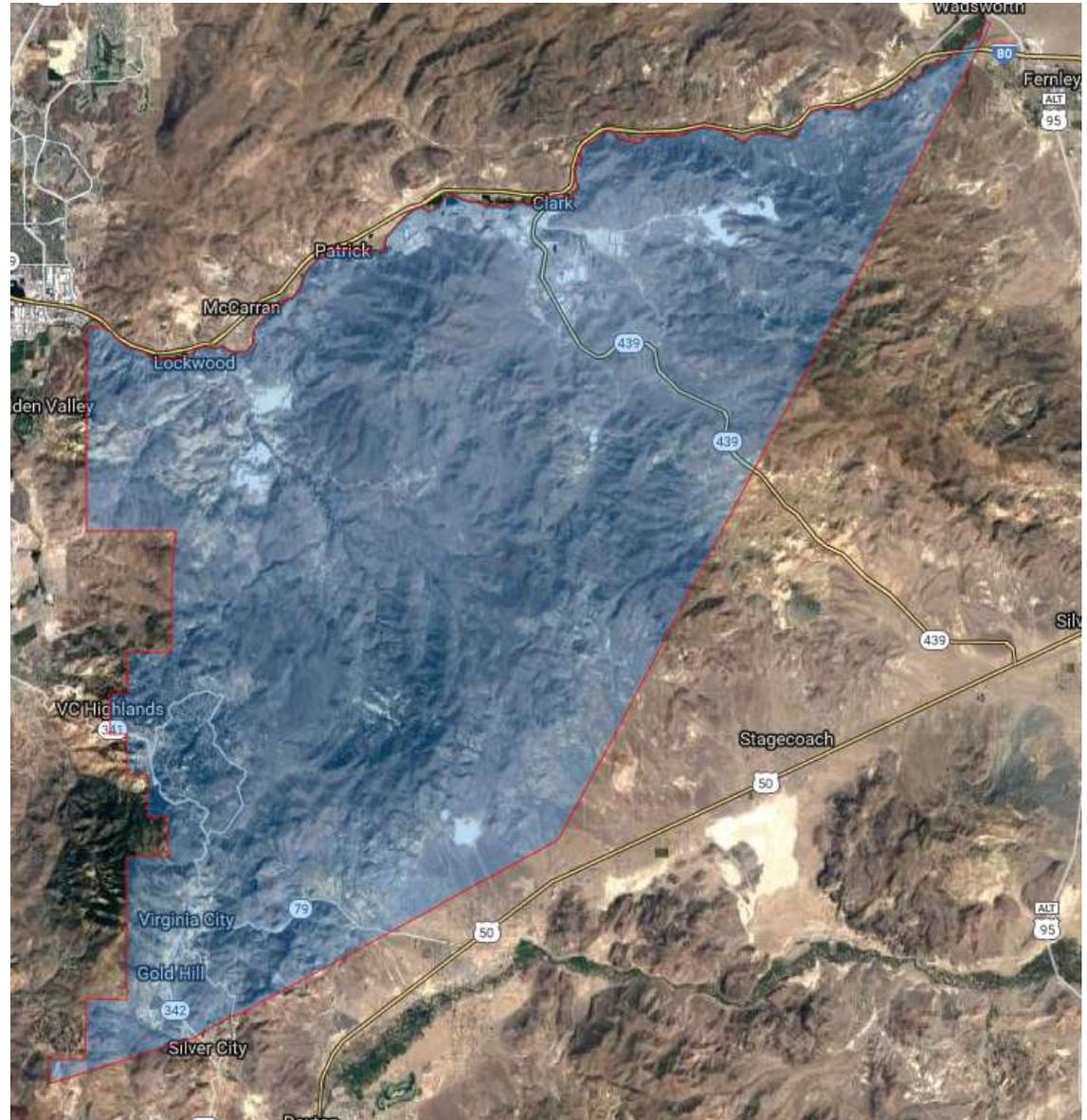
Sierra Region  
Opportunity Zones  
Storey County

# Storey County

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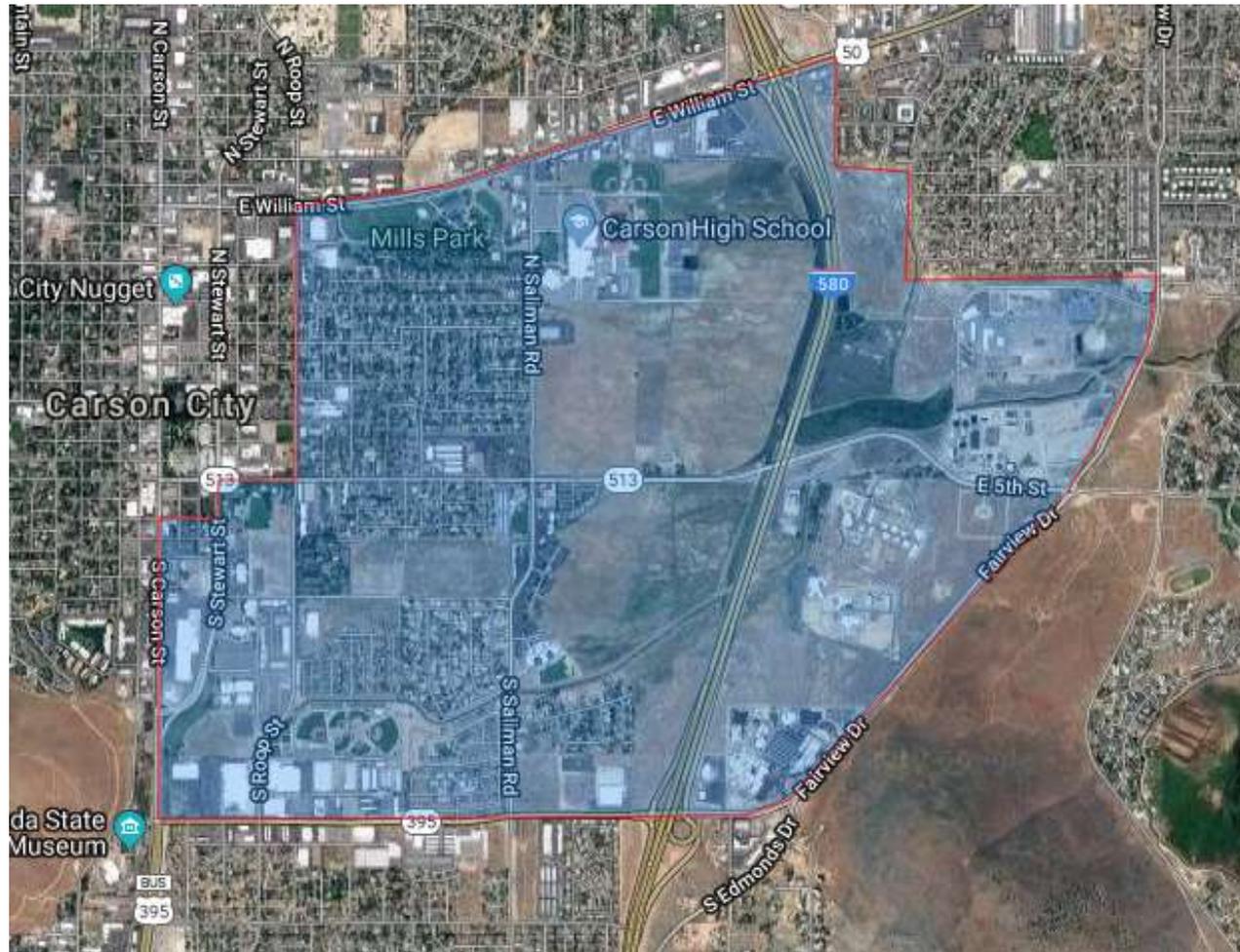


Sierra Region  
Opportunity Zones  
Carson City

# Carson City

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# Current State of the Program

- ❖ **Investments made in projects located in Opportunity Zones must be made through an Opportunity Fund**
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