The Federal Opportunity Zone Program in Real Time: Leveraging This Tax Incentive Now

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Today's Presenters

Sean P. Murphy
Real Estate | Washington DC Office
spmurphy@duanemorris.com

Joseph Scalio
KPMG | Philadelphia Office
jscalio@kpmg.com

Brad A. Molotsky
Real Estate | Cherry Hill & Philadelphia Offices
bamolotsky@duanemorris.com

Overview of Today's Discussion

- Introductions
- What is an Opportunity Zone ("OZs")?
- Where do OZs exist?
- What is a Qualified Opportunity Fund ("QFund")?
- Why do QFunds present special opportunities for Real Estate?
- Where are OZs located in DC by way of example?
- Have there been funds that have been formed yet?
- What is the likely structure for affordable housing for a:
  - Developer, investor, lender?

Opportunity Zones

An Overview

Opportunity Zones

The Opportunity Zones tax incentive was established by Congress in the 2017 Tax Cuts and Jobs Act as an innovative approach to spur long-term private sector investments in low-income urban and rural communities nationwide. This economic development initiative is based on the bipartisan **Investing in Opportunities Act**.

What are Opportunity Zones?

Opportunity Zone: A low-income census tract **(LIC)**, as determined within New Markets Tax Credits legislation, is designated as an Opportunity Zone **(OZ)** by the governor of the state or territory in which it is located. Designations will stay in place for 10 years.

Up to 25% of LICs in a U.S. state or territory may be designated as OZs.

States or territories in which there are fewer than 100 LICs may designate up to 25 LICs as OZs.

Up to 5% of census tracts contiguous to LICs may be designated as OZs, if the median family income of the census tract does not exceed 125% of the median family income of the LIC to which the tract is contiguous.

Designated Opportunity Zones

8,762
census tracts designated

1,858
rural census tracts designated

31%
average poverty rate

14.4%
average unemployment rate

60%
average family income in OZ census tracts relative to area median income (AMI)

24 million
current jobs in designated tracts

1.6 million
businesses in designated tracts

Definitions

Opportunity Fund: An investment vehicle organized as a corporation or partnership for the purpose of investing in Opportunity Zone property.

Opportunity Funds will be self-certified per IRS guidelines. They must be organized for the purpose of investing in Opportunity Zones

Opportunity Funds are required to invest 90% or more of their capital as EQUITY in Opportunity Zone property

Opportunity Zone property includes stock, partnership interest, or business property in an Opportunity Zone

Investor Incentives

U. S. investors currently **hold $6.1 trillion in unrealized capital gains**, representing a significant untapped resource for economic development. Opportunity Funds will allow these investors throughout the country to pool and deploy their resources as Opportunity Zone investments.

>

OPPORTUNITY ZONE INVESTMENTS PROVIDE AN IMMEDIATE BENEFIT

to investors of deferring payment of the capital gains tax that would be paid in 2018 until 2026. Further incentives are linked to the duration of an investor's commitment to Opportunity Fund investments.

THE OZ TAX INCENTIVE WILL ALLOW

a modest reduction in capital gains taxes in exchange for holding Opportunity Fund investments for five to seven years.

IF INVESTMENTS ARE HELD 10+ YEARS,

gains accrued on the Opportunity Fund investment during that 10-year period will not be taxed, further incentivizing patient capital.

Timeline for Opportunity Zone Investments

	Investment Year 2018	Year 5 2023	Year 7 2025	Year 8 2026	Year 10 2028
Tax on Capital Gain Invested	Gain realized and invested in Opportunity Fund **within 180 days***	10% reduction of capital gains tax	15% reduction of capital gains tax	All taxes due on 12/31/26. Investor pays tax on 85% of original gain	
Tax on Opportunity Fund Investment		Any gain realized on Opportunity Fund investment is fully taxable if liquidated	Any gain realized on Opportunity Fund investment is fully taxable if liquidated	Any gain realized on Opportunity Fund investment is fully taxable if liquidated	Any gain realized on Opportunity Fund investment **is tax free****

*** Tax is deferred until the earlier of investment liquidation (return of capital) or 12/31/26**

**** Any appreciation on Opportunity Fund investment is tax free if held > 10 years**

Eligible Investments

Only equity investments are eligible for the Opportunity Zone tax incentive.

1. **Business investments**

   can include investments in new stock issuance for corporations and ownership interests in partnerships and LLCs.

2. **Investments in real estate**

   must include an ownership interest of new construction or assets that will be **"substantially improved"** within 30 months of acquisition by the Opportunity Fund.

3. **New equipment and other assets**

   are also eligible investments.

Economic Development Examples

1. **Business infrastructure real estate funds:**
   - *Industrial*
   - *Retail*
   - *Mixed use*
   - *TOD*

2. **Venture capital funds:**
   - *Seed stage investments*
   - *Series A investments*

3. **Operating business private equity:**
   - *Equity recapitalizations*
   - *Growth capital investments*

4. **Enhancement for other federal tax credit transactions:**
   - *NMTCs*
   - *Historic Tax Credits*

Qualified Opportunity Zones

- Program Overview
  - A Qualified Opportunity Zone ("OZone") means a Population Census Tract ("PCT") that is a Low-Income Community ("LIC") designated by the government as an OZone through a qualification process.
  - The OZone program allows taxpayers to defer capital gains by reinvesting such gains into a Qualified Opportunity Fund ("QFund") and potentially exclude future capital gains on investments within the zone.
  - The CEO of each state nominated no more than 25% of the total LICs within its state* to be designated as OZones including up to 5% of PCTs that are not LICs but are:
    - contiguous LICs;
    - the median family income does not exceed 125 percent of the medium family income of LIC with which the PCT is contiguous

*Twenty-five may have been designated if the state has fewer than 100 tracts

Qualified Opportunity Zone

- Program Overview (continued)
  - A QFund is an investment vehicle that is:
    - Organized as a corporation or a partnership, and
    - Invests and holds at least 90 percent of its assets in qualified opportunity zone property
    - The investment vehicle can become a QFund through a self-certification process that requires completing a form to be attached to a timely filed tax return
  - Qualified opportunity zone property includes the following:
    - Qualified opportunity zone stock
    - Qualified opportunity zone partnership interest, or
    - Qualified opportunity zone business property (see slide 5)

Benefit Overview – OZone Investments made during 2018 or 2019

Original Investment

Sale of Assets

- Sell assets for $200M with a basis of $120M during 2018/2019
- Realize $80M of capital gain

5 Year Basis Step-Up

5 Year Deferral
- 10% Basis Step-Up
- Capital gain reduced to $72M

7 Year Basis Step-Up

7 Year Deferral
- 5% Basis Step-Up
- Capital gain reduced to $68M

Deferred Gain Recognized

No later than December 31, 2026 - Gain Recognized on original capital investment of $80M (up to $12M may be excluded)

2018/2019 → **2023/2024** → **2025/2026** → **2026** → **2028/2029 (10yrs or later)**

New OZone Investment

OZone Investment

- Invest $80M in certified QFund, which invests in OZone property
- Realized capital gain of $80M is deferred.

OZone Investment Sale

10 Year Exclusion
- Sell OZone investment property for $300M
- $220M capital gain excluded

Example Savings – Investment made during 2018/2019 and Sale of Assets after 10 years

Original Investment

Estimated 5 Year Benefit **($1.6M)** = Capital Gain **($80M)** x Basis Step-Up **(10%)** x Capital Gain Tax Rate **(20%)**
Estimated 7 Year Benefit **($2.4M)** = Capital Gain **($80M)** x Basis Step-Up **(15%)** x Capital Gain Tax Rate **(20%)**

New OZone Investment

Estimated 10 Year Benefit **($44M)** = Capital Gain **($220M)** x Basis Step-Up **(100%)** x Capital Gain Tax Rate **(20%)**

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Benefit Overview – OZone Investments made during 2020 or 2021

Original Investment

Sale of Assets

- Sell assets for $200M with a basis of $120M during 2020/2021
- Realize $80M of capital gain

5 Year Basis Step-Up

5 Year Deferral
- 10% Basis Step-Up
- Capital gain reduced to $72M

Deferred Gain Recognized

No later than December 31, 2026 - Gain Recognized on original capital investment of $80M (up to $8M may be excluded)

New OZone Investment

OZone Investment

- Invest $80M in certified QFund, which invests in OZone property
- Realized capital gain of $80M is deferred.

OZone Investment Sale

10 Year Exclusion
- Sell OZone investment property for $300M
- $220M capital gain excluded

Example Savings – Investment made during 2020/2021 and Sale of Assets after 10 years

Original Investment
Estimated 5 Year Benefit **($1.6M)** = Capital Gain **($80M)** x Basis Step-Up **(10%)** x Capital Gain Tax Rate **(20%)**
*There is no potential basis step-up available for the 7 year holding period for investments made after the year 2019.

New OZone Investment
Estimated 10 Year Benefit **($44M)** = Capital Gain **($220M)** x Basis Step-Up **(100%)** x Capital Gain Tax Rate **(20%)**

Benefit Overview – OZone Investments made during 2022 – 2026

Original Investment

Sale of Assets

- Sell assets for $200M with a basis of $120M during 2022 through 2026
- Realize $80M of capital gain

Deferred Gain Recognized

No later than December 31, 2026 - Gain Recognized on original capital investment of $80M

2022 - 2026

2026

2032 - 2036 (10yrs or later)

New OZone Investment

OZone Investment

- Invest $80M in certified QFund, which invests in OZone property
- Realized capital gain of $80M is deferred.

OZone Investment Sale

10 Year Exclusion

- Sell OZone investment property for $300M
- $220M capital gain excluded

Example Savings –Investment made during 2022-2026 and Sale of Assets after 10 years

Original Investment

*There is no potential basis step-up available for either the 5 or 7 year holding periods for investments made after the year 2021.

New OZone Investment

Estimated 10 Year Benefit **($44M)** = Capital Gain **($220M)** x Basis Step-Up **(100%)** x Capital Gain Tax Rate **(20%)**

IRC §1031 Exchange vs. OZone Investment

IRC § 1031 Like-Kind Exchange ("LKE")

- All proceeds from the original sale must be reinvested within 180 days of the exchange
- Deferred gain is recognized upon taxable sale of the new property
- Basis in the new property is equal to the basis in the original property exchanged
- Future LKEs may be applied
- No limitation on location of LKE property
- There is no basis step-up or gain reduction as a result of holding the new property for a period of time
- Generally, exchanges can occur between related parties
- Under Tax Reform, section 1031 only applies to real property exchanges

IRC § 1400Z-2 OZone Investment

- Only the realized gain portion of the original sale must be reinvested within 180 days of the sale to defer gains
- Deferred gain is recognized upon the earlier of the sale of the property or December 31, 2026
- Basis in the OZone property is zero (assuming only the gain is reinvested) until the deferred gain is recognized
- No future deferrals are allowed after the first election
- Location limited to designated OZones
- There is a basis step-up in the new property if held for 5 years and 7 years of 10% and 5% of the deferred gain, respectively. After 10 years, the basis is equal to the FMV of the investment when sold
- The original sale or exchange of the property must be to an unrelated person
- Investment in new property can be any property if it meets the definitions of qualified opportunity zone property

Where are we seeing focus and attention?

- What classes of Real Estate are likely to attract attention from investors:
  - Grocery anchored retail
  - Warehouse and industrial
  - Skilled nursing and medical office
  - Affordable Housing
- Will Investors pay more for LIHTC credits knowing they might be able to also get capital gains shelter?
- What is Deferral, Reduction and potential non-payment of gain worth for a project – maybe 500 bps to 800 bps

Steps Toward Implementation

1

2

3

01
ALL OPPORTUNITY ZONES

approved by treasury (10 year designation) as of June 14, 2018.

02
IMPLEMENTATION OF LAW

Treasury Department rulemaking issued October 2018.

03
INVESTMENT ACTIVITY BEGINS

Currently anticipated to start in Q4 2018/Q1 2019.

Key Points

Investors

- Tax incentive is most valuable for 10 year investments in appreciating assets
- Six months to invest after realizing a capital gain
- Another six months to deploy 90% of capital in Zones
- Capital is required to be an equity investment – loans from investors are not eligible for the tax incentive

Funds

- All capital must flow through an Opportunity Fund to be eligible for the tax incentive
- Funds are self-certified via an IRS tax form
- Fund must be established for the purpose of investing in Opportunity Zones
- 90% of fund assets must be invested in Zones to maximize the tax incentive

Eligible Investments

- Must be equity investments
- Real estate investments must include substantial rehabilitation – doubling basis within 30 months
- "Sin businesses" are not eligible
- Other requirements include property use in "active conduct of business" and limits on assets held in cash

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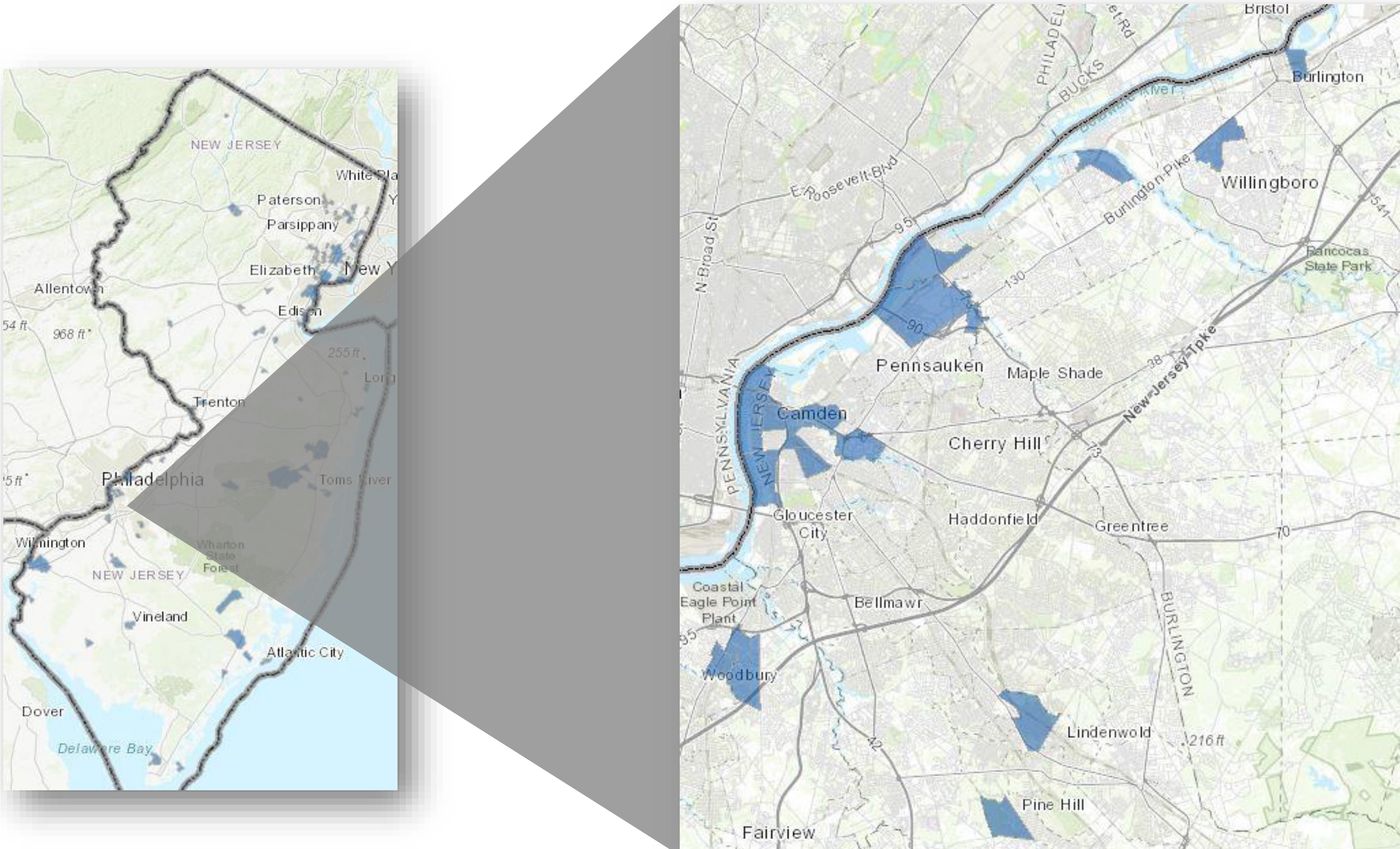
Concerns

- Timing
  - Clarifying draft regulations issued in October, 2018 – helpful
  - Additional regulations regarding “original use property” and “related party rules” expected Q4 18’ or Q1 19’.

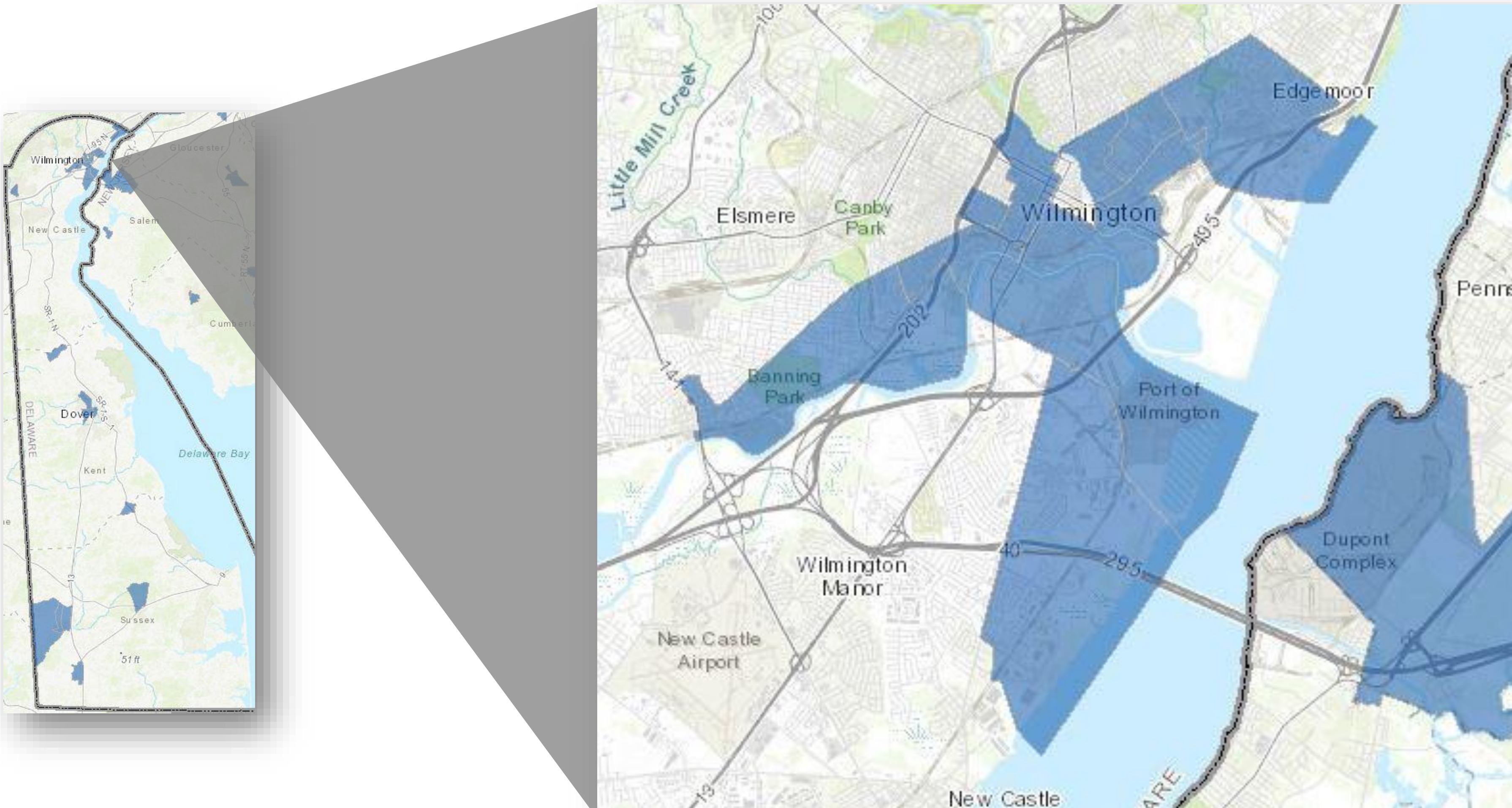
Concerns (continued)

- Encouraging Social Impact and Preventing Gentrification
  - No requirement for a fund to meet social impact; no current reporting requirements
  - Lack of oversite could lead to abuse
  - Will require that cities and states provide structure on investments in these markets with soft funding. Zoning or permit controls or tax policies.

Camden, New Jersey

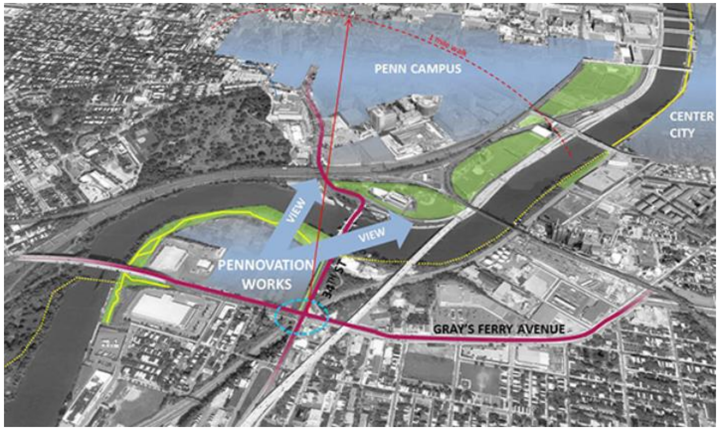


Wilmington, Delaware

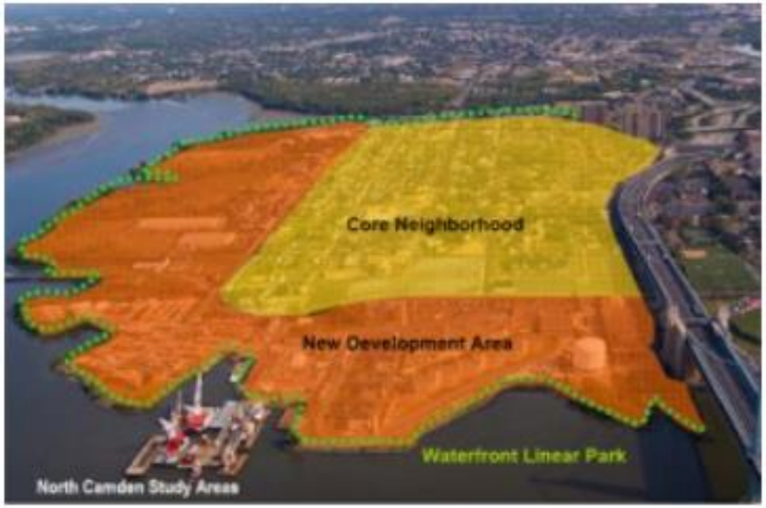


Regional Site Examples

The Arsenal in Frankford



The Pennovation Center in Grays Ferry



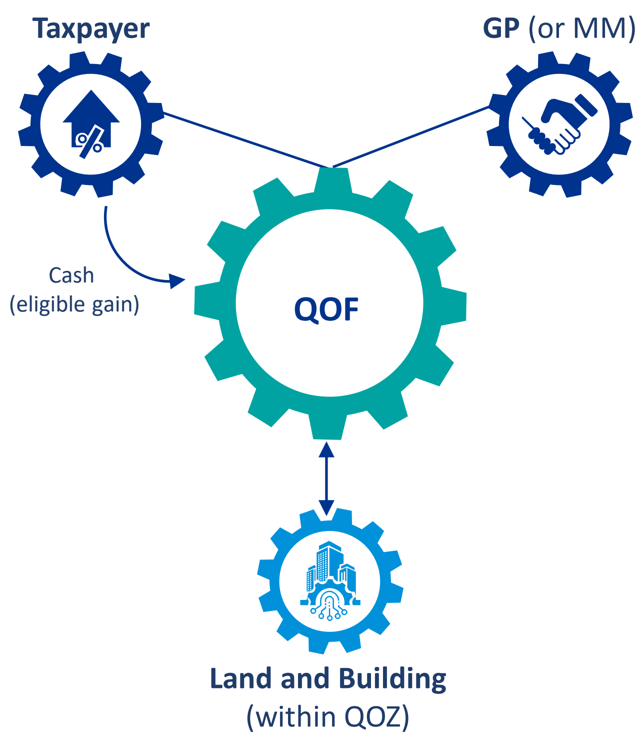
Camden, NJ

Chester Waterfront

Direct Investment vs. Two-Tiered Investment

- Exploring a direct investment in a QOZ business property (i.e., real estate) vs. investing in a business that in turn invests in a business property
- What is the difference – timing? Flexibility? Cash? Working Capital Plan?

Steps to achieve gain deferral; Direct investment in QOZ business property

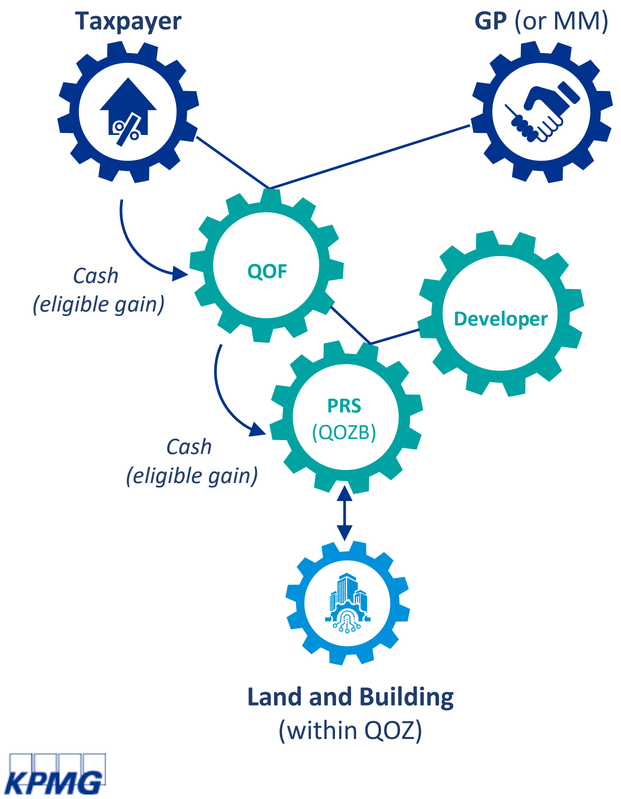


- Taxpayer and General Partner (or Managing Member) form Investment Fund (QOF) as a partnership for US federal income tax purposes that will certify as a QOF.
- Within the 180-days period requirement for an eligible gain, Taxpayer contributes cash equal to the eligible gain to the QOF.
- QOF uses eligible gain cash proceeds contributed to acquire QOZ property.
  - For example, land and an existing building within a QOZ from an unrelated party which it intends to substantially improve within the requisite 30-month period

Two-tier Structures for QOZ Businesses

Best path forward as a result of the proposed regulations?

Two-tier structures for QOZ businesses (QOZB)



Assume the facts are the same as the example provided for single-tier structure above except that QOF contributes cash to PRS, treated as a partnership for US federal income tax purposes, which purchases the land and building as part of a QOZB.

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What is a "QOZB"?

A QOZB is a trade or business:

01

Substantially all **(70 percent)** of the tangible property owned **or leased** by the business is QOZB property;

02

At least 50 percent of the business's total gross income is from the **active conduct** of the trade or business **in the opportunity zone;**

03

A substantial portion of the business's intangible property is used in the **active conduct** of the trade or business **in the opportunity zone;**

04

Less than five percent of the average of the aggregate unadjusted bases of the business's property is attributable to nonqualified financial property (e.g., debt, stock, partnership interests), with **exception for reasonable amounts of working capital**; and

05

Is not a "Sin Business"

— Private or commercial golf course
— Country club
— Massage parlor
— Hot tub facility
— Suntan facility
— Racetrack or other facility used for gambling
— Any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

See Prop. Treas. Reg. §1.1400Z2(d)-1(d)(2) and (3).

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Working capital safe harbor for QOZB – Proposed regulations

The working capital safe harbor for QOF investments applies to QOZB that acquire, construct, or rehabilitate tangible business property used in a business operating in an opportunity zone.

The safe harbor allows QOZB to treat all working capital (cash, cash equivalents, and debt instruments not exceed 18 months) as reasonable for a period of up to 31 months, if there is a:

- Written plan that identifies the working capital as property held for the acquisition, construction, or substantial improvement of tangible property in the opportunity zone,
- Written schedule consistent with the ordinary start-up of a trade or business for the expenditure of the working capital; and under that schedule the working capital must be spent within 31 months of receipt of the working capital, and
- The working capital is actually used in a manner that is substantially consistent with the schedule.

The QOZB would be required to retain any written plan in their records.

See Prop. Treas. Reg. §1.1400Z2(d)-1(d)(5)(iv).

Complementary safe harbors – Proposed regulations

Qualified opportunity zone businesses that acquire, construct, or rehabilitate tangible business property and satisfy the working capital safe harbor may:

Gross income safe harbor	Use of intangible property safe harbor	Safe harbor for property on which working capital is being expended
Treat gross income from such working capital as gross income satisfying the 50% gross income test;	Treat the use requirement for intangible property as satisfied during any period in which the business operating in a manner consistent with the working capital safe harbor; and	Treat the property to which the working capital will be expended and that is expected to be QOZB property after such expenditures as not failing the requirements to be QOZB property during the expenditure period.

Direct vs indirect ownership – Comparison table

Direct ownership (Single-Tier structure): QOF directly owns QOZB Property used in a trade or business	**Indirect ownership (Two-Tier structure):** QOF owns QOZB Property through a QOZB
90-Percent Asset Test (90% of the all of the QOF's assets is QOZB Property)	**Substantially All (70%)** of the **tangible** property owned or leased by the business is QOZB Property
QOZB Property is used in the QOF's trade or business	50% of gross income of the QOZB from active conduct of trade or business within the QOZ
Intangible Property is not QOZB Property for the 90-Percent Asset Test (instead, it counts towards the remaining 10%)	A substantial portion of the business' intangible property is used in the **active conduct** of the trade or business **in the opportunity zone**
No additional restrictions on financial property	**<5% of the average of the aggregate unadjusted bases of the property is attributable to the non-qualified financial property*** (except for reasonable amounts of working capital)
No Working Capital Safe Harbor	**Working Capital Safe Harbor**
No prohibition on "Sin Businesses"	QOZB can NOT be a "Sin Business"
No specific reference to the lease of property by a QOF	A **QOZB is able to lease property** and could possibly qualify as QOZB Property.**

*The definition of nonqualified financial property includes debt, stock, partnership interests, options, futures contracts, forward contracts, warrants, notional principal contracts, annuities, and other similar property specified in regulations
**However, it is not clear how the QOZB Property requirements are applied to leased property.

Tax Elections and Tax Reporting

Proposed regulation self-certification and election deferral forms

Form 8996 for self-certification and annual compliance

It is expected that taxpayers will use Form 8996, Qualified Opportunity Fund, both for initial self-certification and for annual reporting of compliance with the 90-Percent Asset Test and that Form 8996 would be attached to the taxpayer’s Federal income tax return for the relevant tax years. See Prop. Treas. Reg. §1.1400Z-2(d)-1(a)(1)(i).

Form 8949 for gain deferral election

It is expected that taxpayers will make deferral elections on Form 8949, which will be attached to their Federal income tax returns for the taxable year in which the gain would have been recognized if it had not been deferred.

Effective dates

The proposed regulations generally are proposed to be effective on or after the date of publication in the Federal Register. However, eligible taxpayers may generally rely on the proposed rules prior to the final regulations if the taxpayer applies the rules in their entirety and in a consistent manner.

QOZ Investments in relation to Other Tax Credits and Incentives

Deferred like kind exchanges (LKE)/QOZ investments

Gains from deferred LKE

- All proceeds from the original sale must be reinvested within 180 days of the sale
- Deferred gain is recognized upon taxable sale of the new property
- Basis in the new property is equal to the basis in the original property exchanged (assuming no additional amounts beyond sales proceeds)
- Future LKEs may be applied
- Domestic LKE property may be located anywhere in the US
- There is no basis step-up or gain reduction as a result of holding the new property for a period of time
- Generally, exchanges may occur between related parties (subject to anti-abuse rules)
- Under Tax Act, section 1031 only applies to real property exchanges

QOZ deferred gains

- Any eligible gains elected to be deferred must be reinvested in a QOF within 180 days of the sale or exchange of the asset
- The deferred gain (less any basis step ups) generally is recognized the earlier of the sale or exchange of QOF interest or December 31, 2026
- Initial basis in the QOF investment is zero
- QOZ business property must be located in QOZ
- Deferred gain recognized on sale of entire QOF interest may be reinvested in another QOF during the deferral period
- A basis step-up of 10% occurs if the interest in the QOF is held for at least 5 years and another 5% if the interest in the QOF is held for at least 7 years. After the QOF interest is held for 10 years, the basis in the interest may be increased to the FMV when sold or exchanged.
- Only gain on the sale or exchange with an unrelated person qualify.
- Eligible gains are those treated as capital gain from any property held by the taxpayer.

Opportunity zone and New Markets Tax Credit (NMTC) and Low-Income Housing Credit (LIHTC)

QOZ/NMTC

Both the NMTC and Opportunity Zones share the same geographic footprint to the extent of the 25% limitation on the number of population census tracts that can be designated. In addition qualified opportunity zones can include a percentage of contiguous non-low-income tracts. While it may have been congressional drafter's original intent to certify QOFs in a manner similar to CDEs, the IRS's self-certification guidance allows QOFs to be created without any government review or regulation. Finally, the NMTC allocation authority is limited to 3.5 billion for each of 2018 and 2019 after which the program is set to expire. There is no limit of the investment of gains taxpayers may contribute to QOFs that will eventually be deployed into QOZs.

QOZ/LIHTC

While the LIHTC is available only for residential rental property, QOZ property can include both commercial and residential real property. Moreover, QOFs that invest LIHTC projects located in a QOZ could potentially benefit from both LIHTC and the gain deferral for QOZs.

QOZ Designation and State Conformity

QOZ designation process

The IRS issued guidance to the "chief executive officers (CEOs)" of any U.S. state, U.S. possession, and the District of Columbia regarding the procedure for designating population census tracts as QOZs.

CEOs had to submit to the Treasury population census tracts representing no more than 25% of the state's census tracts that are qualified low-income communities. A qualified low-income community has the same definition as under the new markets tax credit (NMTC) rules.

In addition, up to 5% of census tracts that are not qualified low-income communities under the NMTC rules, but are contiguous to a qualified low-income community census tract may be designated as a QOZ if the median family income (MFI) does not exceed 125% of the MFI of the contiguous census tract.

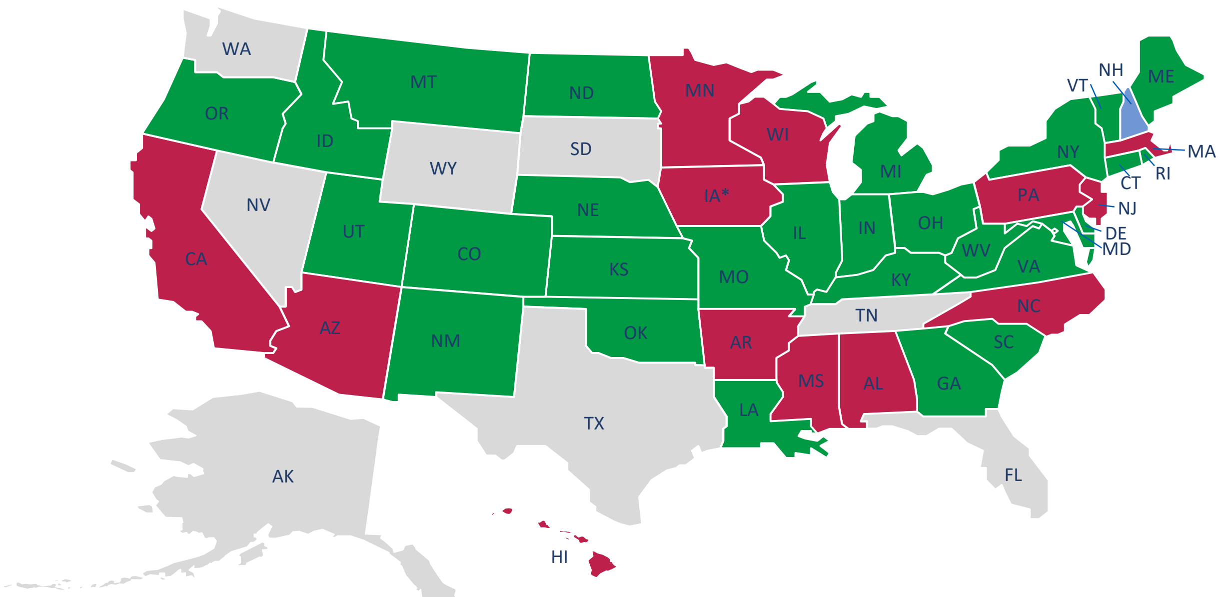
To search for QOZ by zip code, https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx

QOZ designation process (continued)

- The initial period for CEOs to submit eligible census tracts ended on April 20th, 2018. No further submissions after June 18, 2018 may be designated as QOZs.
- The government has designated approximately 8700 QOZs across the 50 states, 5 territories and the District of Columbia (See Notice 2018-48 for the complete list of QOZs).
- In the case of Puerto Rico, Congress designated all qualified low-income community census tracts as QOZs and 26 contiguous tracts.
- The Proposed regulations treat designated QOZs as eligible census tracts through 2047. See Prop. Reg. §1.1400Z2(c)-1(b).

To search for QOZ by zip code, https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx

State conformity – Individual income tax

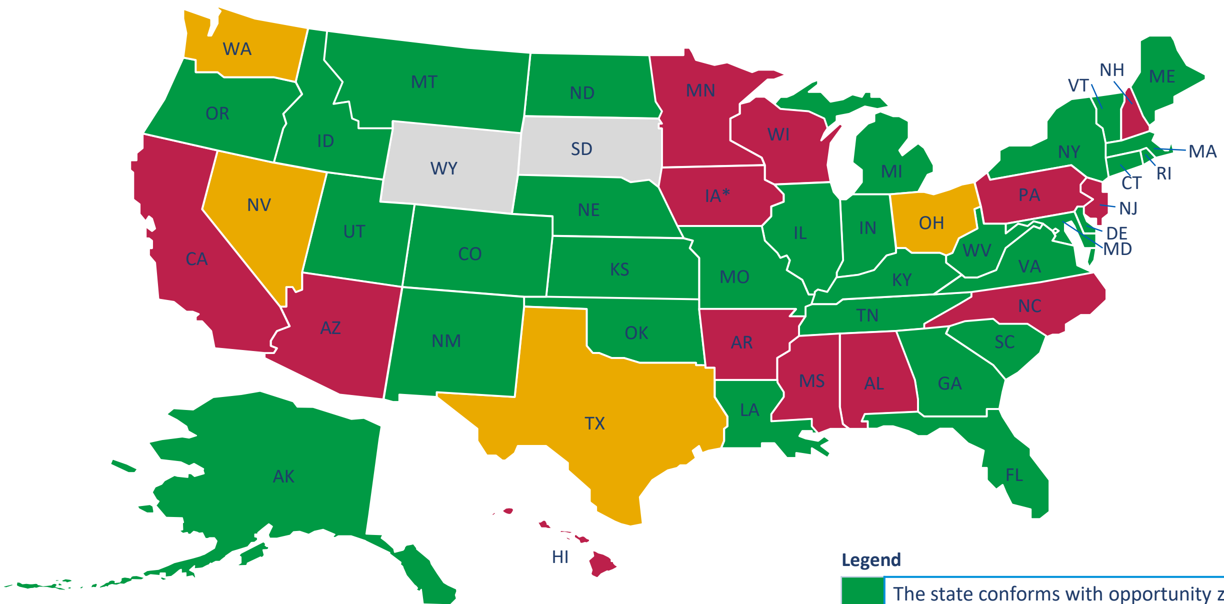


Legend

(green)	The state conforms with opportunity zone benefits for tax year 2018
(red)	The state does not conform with opportunity zone benefits for tax year 2018
(grey)	No individual income tax that includes capital gains in the tax base

Information is current as of October 29, 2018
* Iowa will conform with QOZ benefits beginning with tax year 2019

State conformity – Corporate income tax



Legend

(green)	The state conforms with opportunity zone benefits for tax year 2018
(red)	The state does not conform with opportunity zone benefits for tax year 2018
(yellow)	Taxability or deferral of gain may depend on what type of property is sold, so these states required specific analysis
(grey)	No corporate income tax

Information is current as of October 29, 2018
* Iowa will conform with QOZ benefits beginning with tax year 2019

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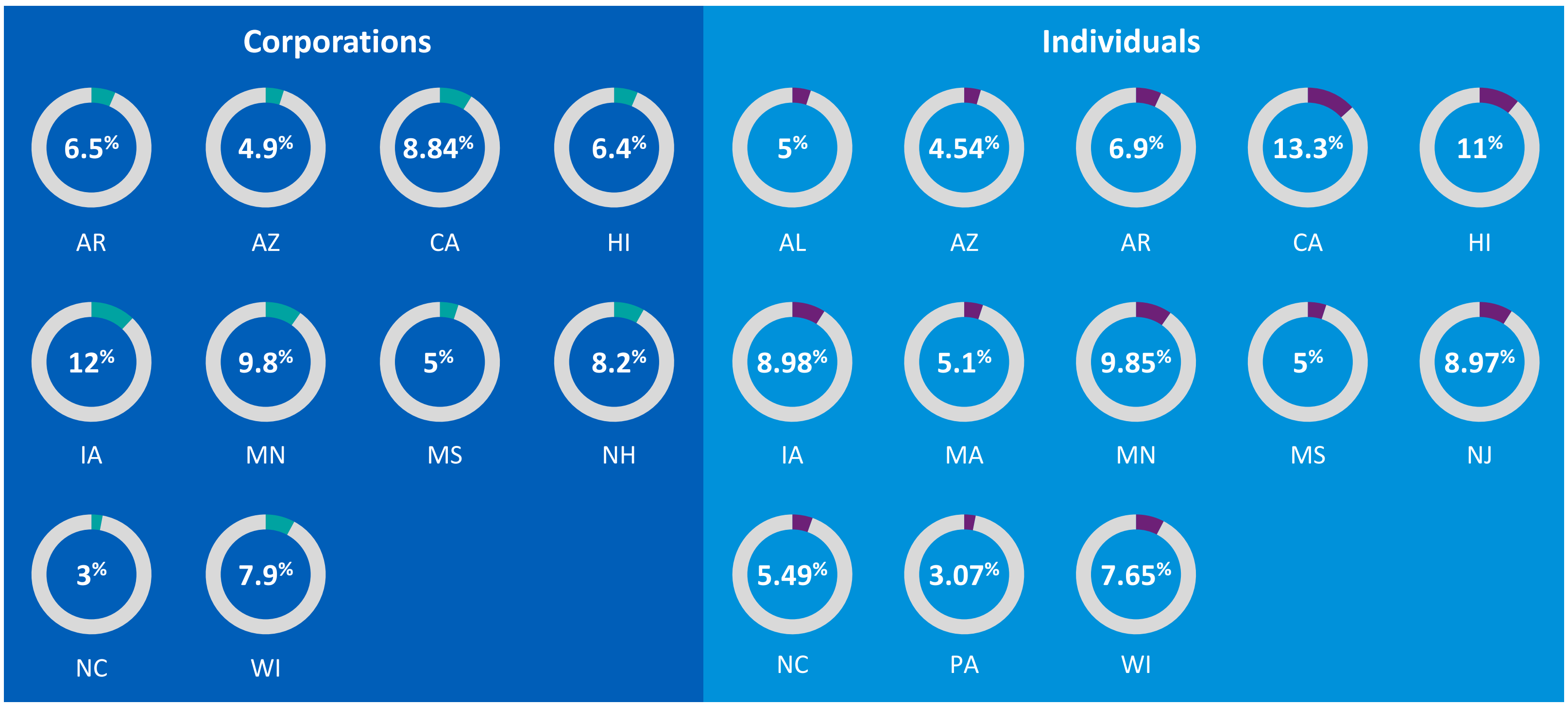
Income tax rates in nonconforming states

Current as of October 29, 2018 (TY2018 - highest marginal rate)



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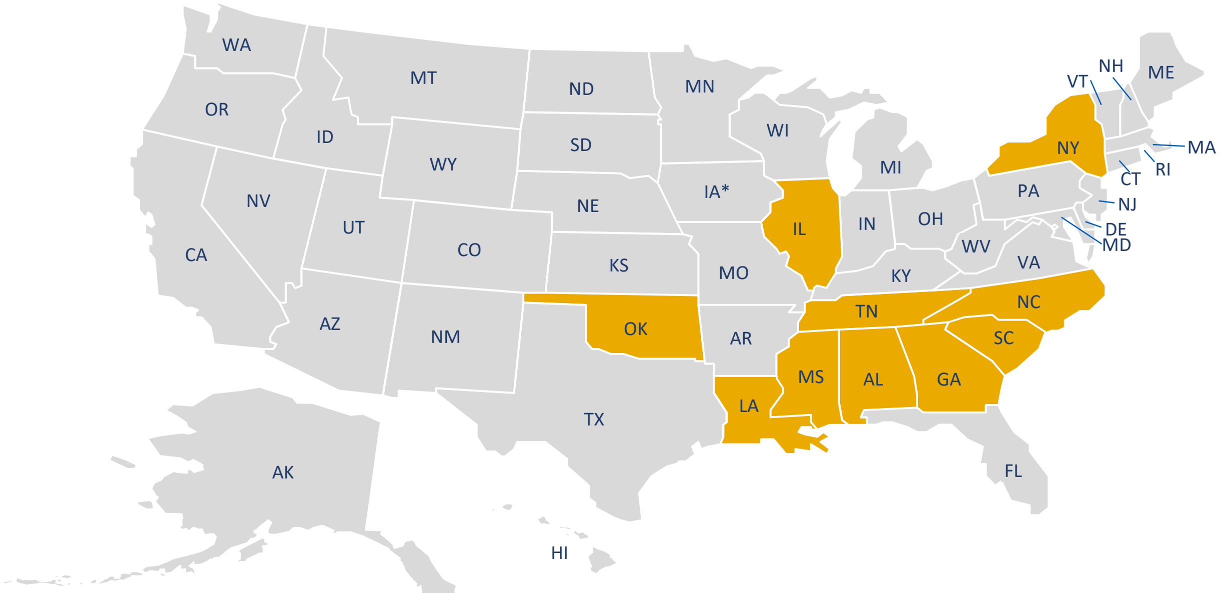
State tax on corporation's net worth or property value

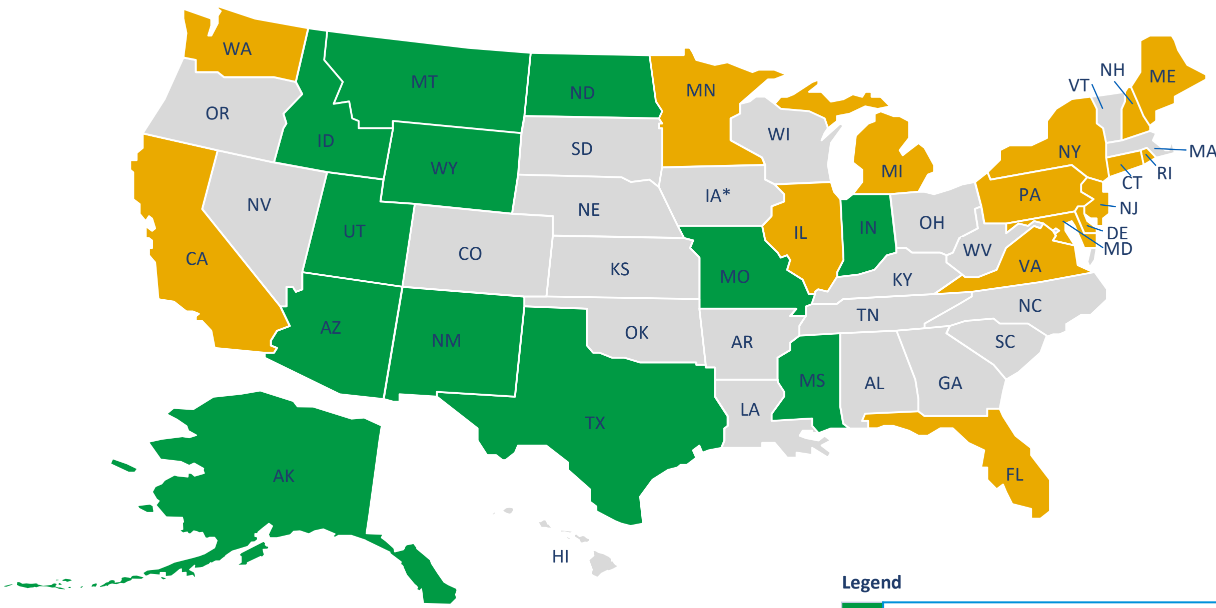


Legend

(orange)	The state taxes corporations on net worth, investment in property, or assessed value of property for tax year 2018 along with the income tax return (this map does not indicate property taxes imposed on tangible or real property)
(gray)	No tax on net worth, investment in property, or assessed value of property along with income tax return

Information is current as of October 29, 2018

State real estate transfer taxes



Legend

(green)	The state and localities do not impose a real estate transfer tax or only impose a flat fee
(orange)	The state and/or localities also impose real estate transfer tax or similar tax on controlling interest or other indirect transfers
(grey)	The state and localities impose a real estate transfer tax or similar tax on real property transfers

Information is current as of October 29, 2018

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State conformity to opportunity zone IRC provision

Current as of October 29, 2018

Corporations

- 34 states currently conforming (rolling or updated state IRC conformity)
- 4 states didn't update state IRC conformity (CA, MN, NH; IA conforms starting in TY19)
- 4 states updated state IRC conformity but decoupled from IRC 1400Z (AZ, HI, NC, WI)
- 2 states with only selective IRC conformity (AR, MS)
- 4 states impose gross receipts taxes and not corporate income tax (NV, OH, TX, WA)
- 2 states don't impose corporate income tax or gross receipts tax

Individuals

- 28 states currently conforming (rolling or updated state IRC conformity)
- 3 states didn't update state IRC conformity (CA, MN; IA conforms starting in TY19)
- 4 states updated state IRC conformity but decoupled from IRC 1400Z (AZ, HI, NC, WI)
- 6 states where state IRC conformity is different for personal income tax or only have selective IRC conformity (AL, AR, MA, MS, NJ, PA)
- 3 states don't impose personal income tax but imposed gross receipts tax on certain businesses (NV, TX, WA)
- 6 states don't impose personal income tax or gross receipts tax on individuals (AK, FL, NH, SD, TN, and WY)

KPMG

OZ Resources:

Resources:

- Opportunity Zones Resources:
  - The authority to implement IRC 1400Z-1 and 1400Z-2 has been delegated to the IRS. The CDFI Fund is supporting the IRS with the Opportunity Zone nomination and designation process under IRC 1400Z-1 only.
  - The IRS has posted a list of **Frequently Asked Questions about Opportunity Zones** and is currently working on guidance on how the Qualified Opportunity Zone benefit under IRC 1400Z-2 (including the certification of Qualified Opportunity Funds and eligible investments in Qualified Opportunity Zones) will be administered. IRS and Treasury are giving this guidance high priority for rapid issuance over the next few months. Please send any comments or questions to **CC.ITA.Section.1400@irscounsel.treas.gov**.

Resources (continued)

- Opportunity Zones:
  - **List of designated Qualified Opportunity Zones (QOZs)**: This spreadsheet was updated June 14, 2018, to reflect the final QOZ designations for all States. (See **IRS Notice 2018-48, 2018–28 Internal Revenue Bulletin 9**, July 9, 2018, for the official list of all population census tracts designated as QOZs for purposes of Internal Revenue Code §§ 1400Z-1 and 1400Z-2.)
  - For a map of all designated QOZs, **click here**.
    - To view all designated QOZs, click on the "Layers" tab on the menu on the right hand side of the screen. Select "Opportunity Zone Tract" and unselect "2011-2015 LIC Census Tract," and zoom in to a specific area on the map. Designated QOZs will appear in blue.
    - To view a specific census tract, enter the tract number in the search bar, select "2011-2015 Census Tract" by clicking on the mailbox symbol on the left of the search bar, click search, and select the census tract number that appears in the results below.

Resources (continued)

- Additional Resources:
  - **IRS Revenue Procedure**: Provides information on the eligibility criteria for census tract designation as a Qualified Opportunity Zone and the nomination and designation process.
  - **Opportunity Zones Information Resource**, with sortable lists by State of all census tracts originally eligible for designation as a QOZ.
  - **Opportunity Zones Shapefile**: This Zip file contains a Geographic Information System (GIS) shapefile of all population census tracts designated as QOZs as well as all population census tracts originally eligible for designation as a QOZ. See Readme text document for additional detail.

Resources (continued)

- For all questions on IRC 1400Z-2 related to Opportunity Funds and Opportunity Zone Investments:
- Phone: (414) 231-2240
- E-mail: CC.ITA.Section.1400@irscounsel.treas.gov

Resources and Tools

- **opportunityzones.newmarkets.org**
- Visit **NMSC's Opportunity Zones** pages for:
  - A mapping tool of designated census tracts
  - Federal and state government resources and updates
  - LISC and partner resources, including presentations and webinar recordings
  - Opportunity Zones and Opportunity Funds FAQ
  - A sign-up form for our Opportunity Zones email updates

Resources and Tools (continued)

- Other Opportunity Zones resources:
  - The Investing in Opportunity Act
  - Community Development Financial Institutions (CDFI) Fund Opportunity Zones updates and resources
  - Economic Innovation Group (EIG) Opportunity Zones pages for related news, background information, and a list of bipartisan supporters

Thank You!

Sean P. Murphy
Real Estate | Washington DC Office
spmurphy@duanemorris.com

Joseph Scalio
KPMG | Philadelphia Office
jscalio@kpmg.com

Brad A. Molotsky
Real Estate | Cherry Hill & Philadelphia Offices
bamolotsky@duanemorris.com

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The Federal Opportunity Zone Program in Real Time: Leveraging This Tax Incentive Now

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