

HALIFAX COUNTY, NC

OPPORTUNITY ZONES - 2019



Per IRS.gov – *An Opportunity Zone is an economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment.*

Halifax County has two census tracts approved by US Treasury as Opportunity Zones. These tracts were selected by the state and confirmed by the US Treasury Department. Please note that not all rules and regulations have been confirmed by the Federal Government; however, the following information is a good summary of the current program.

HALIFAX COUNTY OPPORTUNITY ZONES

- Enfield Opportunity Zone <http://halifaxdevelopment.com/images/Opp-Zone-Enfield.jpg>
- Roanoke Rapids Opportunity Zone <http://halifaxdevelopment.com/images/Opp-Zone-RR.jpg>

The US Federal Government created the new Opportunity Zone tax incentive program (part of Tax Cuts & Jobs Act passed in late 2017). The goal is to encourage people with **capital gains** to invest in distressed areas (opportunity zones – NC has 252) to reduce the amount of tax paid on the capital gain.

To be eligible for this tax benefit, the following need to occur:

1. Anyone with **capital gains that are existing can** participate in investing in Opportunity Zones.
2. The capital gain needs to be part of a qualified entity known as an **Opportunity Fund (OP)** or **Qualified Opportunity Fund (QOF)** which will be the way to invest in a **certified Opportunity Zone**.
3. The capital gain must **be realized in the USA** and placed in an Opportunity Fund **within 180 days of the realized exchange date of those gains**.

Once capital gains are reinvested in an **Opportunity Fund**, investors qualify for a **temporary tax deferral** on their realized, reinvested gains. **Taxes can be deferred until the sale date of their OZ asset, or until December 31, 2026**, whichever comes first. The longer the money is invested in the Opportunity Zone, the larger the tax break is for the investor.

EXAMPLE OF TAX BENEFITS

INITIAL TAX BREAK – After 5 years of holding the Opportunity Zone (via the Opportunity Fund)

If decide to sell after 5 years, then the OZ asset then 10% of the original deferred gain is excluded from how much tax is owed.

2ND TAX BREAK – After holding the asset 7 years, larger tax break

If one decides to sell the OZ asset after 7 years, then 15% of the original deferred gain is excluded from tax owed

3RD AND LARGEST TAX BREAK – If the asset is held for at least 10 years

If the investor holds the asset for 10 years, the investor qualifies for “permanent exclusion from taxable income” on the **Opportunity Zone gain** since the original deferred gain was only until December 31, 2026.

NOTE: Often if one is eligible for **Opportunity Zones** then there are two other possible tax credits that may be viable also:

- New Markets Tax Credit (NMTC) transactions totaling more than \$50 million
- Low-Income Housing Credit (LIHTC) – created as part of the Tax Reform Act of 1986

The Halifax County Economic Development Commission is not an expert in the legal or accounting aspects of Opportunity Zones and not able to advise on legal or accounting issues. We recommend speaking to your attorney or CPA.

DEFINITIONS/RESOURCES:

- **Capital Gains** - A capital gain refers to **profit that results from a sale of a capital asset**, such as stock, bond or real estate, where **the sale price exceeds the purchase price**. The gain is the difference between a higher selling price and a lower purchase price.
https://en.wikipedia.org/wiki/Capital_gain;
- **IRS Form** - SCHEDULE D; Form 1065 - <https://www.irs.gov/pub/irs-pdf/f1065sd.pdf>
- **Draft of Opportunity Zone Document** – Form 8996 - <https://www.irs.gov/pub/irs-dft/f8996--dft.pdf>
- **Qualified Opportunity Fund Form Instructions** – 8996 - <https://www.irs.gov/pub/irs-pdf/i8996.pdf>
- **Great Website Explaining Opportunity Zones** - <https://tinyurl.com/y5vayc9t>
- **FAQs per IRS** - <https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>

We encourage you to contact an attorney and/or Certified Public Accountant to determine the benefit of this program to your planned business investments. The Halifax County Economic Development Commission maintains a list of firms that are involved in the Opportunity Zone Program. Additional information regarding the Opportunity Zone Program, including an Investment Prospectus for the Enfield & Roanoke Rapids Zones, can be found here <https://halifaxdevelopment.com/halifax-county-nc-business-climate/opportunity-zones.html>

NOTE: Information regarding the Opportunity Zone Program was gathered from multiple presentations, panel discussions, conversations, and other sources.

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