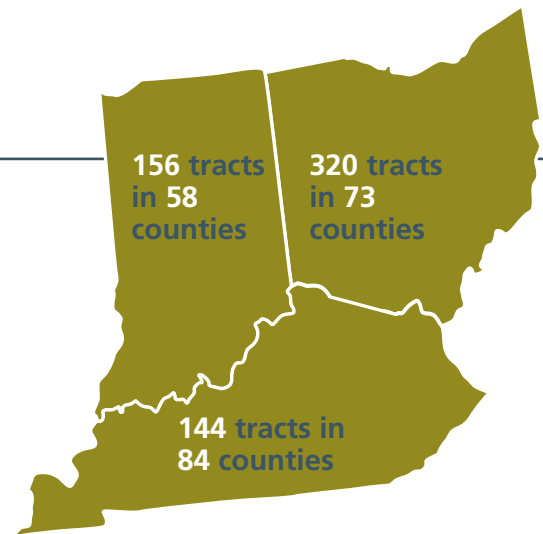


What are Opportunity Zones?

Oppportunity Zones were added to the tax code under the Tax Cuts and Jobs Act on December 22, 2017. They are defined as areas of a community that are economically distressed, and have been nominated by the state and certified by the Secretary of the U.S. Treasury to be labeled as “Opportunity Zones.” Investment entities collect unused capital gains to create “Qualified Opportunity Funds” (QO Funds), which are then used to make investments in low-income areas that have been designated as “Qualified Opportunity Zones” (QO Zones).



Tax Incentives

Some of the tax incentives you can expect are:

- Temporary tax deferral on reinvested capital gains
- Elimination of a portion of the reinvested capital gain over the term of investment
 - 10% if invested for five years
 - 15% if invested for seven years
- Permanent exclusion (100 percent) of gain on appreciation in excess of initial capital gain investment if held for ten years

Qualified Opportunity Funds and Qualified Opportunity Zone Property

Investment entities are organized as either partnerships or corporations. They are responsible for investing in “Qualified Opportunity Zone Property” (QOZ Property), making sure that at least 90 percent of the QO Funds’ assets consist of QOZ Property.

Qualified Opportunity Zone Property Types

There are three categories of qualifying property:

- **Stock:** Can be stock in a corporation if it is a “qualified opportunity zone business” or the corporation was organized for that purpose (QOZ Business)
- **Partnership Interest:** Any capital or profits interest in a partnership (including a limited liability company taxed as a partnership) if the QO Fund acquired the interest when the partnership was a QOZ Business or was organized for that purpose
- **Business Property:** Tangible property of a QO Fund or QOZ Business purchased from an unrelated party and that is used by a trade or business operating in a QO Zone (QOZ Business Property)

Qualified Opportunity Zone Business

A qualified Opportunity Zone Business is defined as:

- Any trade or business in which substantially all of the tangible property owned or leased by the taxpayer is QOZ Business Property
- At least 50 percent of the total gross income must be from active conduct of such trade or business activity

Certain types of businesses are not eligible, including but not limited to:

- Liquor stores
- Tanning salons
- Country clubs
- Golf courses
- Racetracks

For more information visit www.midwestoppzone.com