Practical Guidance

Operating Businesses and Opportunity Zones

A Practical Guidance® Article by
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This article discusses operating businesses in opportunity zones. Although the majority of investments to date through the opportunity zone program (the OZ Program) have been real estate projects, there have been an increasing number of investments that use the OZ Program to start a new operating business, or move an existing one, into an opportunity zone.

This expanded use of the OZ Program is certainly welcome news for many, as it showcases another avenue for investors to put their eligible gains to work in a way that will help to drive economic growth in the opportunity zones. As the country continues its recovery from the COVID-19 pandemic, operating businesses can play a key role in helping to incentivize new economic development in these communities, which is at the heart of the OZ Program's policy goals.

For our good friends in the real estate industry, this is relevant to you too! Once you have developed a new retail, office or mixed-use facility in an opportunity zone, you are going to need tenants. The OZ Program is a powerful marketing tool to attract tenants to your space, since operating businesses (and their investors) can participate in the OZ Program and be eligible for the associated tax benefits. Keep in mind that an operating business can be structured to admit investors through a qualified opportunity fund (QOF) even if the real estate out of which the business will operate was not developed as part of the OZ Program. The tax benefits associated with a QOF investment can be a marketing tool for anyone with real estate in an opportunity zone and if you want to start a real estate related business in an opportunity zone, you will need to follow these rules as well.

This article assumes some familiarity with the OZ Program. For background and guidance on opportunity zones, see A Clearer Path to Opportunity Zones, Existing Owners of Property in an Opportunity Zone – Right Place, Right Time?, How Does COVID-19 Impact Opportunity Zones?, 2021 COVID-19 Timing Relief for QOFs, QOZBs, and Opportunity Zone Investors, and Opportunity Zones: Conscious Decoupling.

Operating Businesses

QOF Requirements and Tax Benefits: Same Old Story

The overall framework of the OZ Program is the same for a real estate project as for an operating business. Investors with eligible gains must invest into a QOF within the required 180-day investment period, and those investors are eligible for the full bundle of tax benefits associated with an investment in a QOF. Note that an investor's 180-day period to reinvest eligible gains into a QOF can vary depending on the type of gain and whether the investor sold the appreciated asset directly or through a partnership. See 2021 COVID-19 Timing Relief for QOFs, QOZBs, and Opportunity Zone Investors for further information.

As a quick reminder, here is a high-level timeline of the OZ Program from the investor perspective and the associated tax benefits:

- **Step 1.** An investor sells an existing appreciated asset.
- **Step 2.** The investor invests the gain portion of the sale proceeds into a QOF within the designated reinvestment period (generally 180 days).
    - Tax benefit #1. The investor defers the entire amount of the eligible gain that is reinvested into the QOF.
- **Step 3.** The investor pays tax on the deferred gain at the earlier of (1) the sale or disposition of its interest in the QOF, or (2) December 31, 2026 (in either case, the Inclusion Date).
    - Tax benefit #2. If the investor has held its QOF interest for at least five years prior to the Inclusion Date, 10% of the deferred gain is permanently forgiven. (Note that to get the five-year benefit, an investor must invest in a QOF no later than December 31, 2021.)
- **Step 4.** The investor sells its interest in the QOF at exit, the QOF sells its interest in the underlying business, or the business sells its assets.
    - Tax benefit #3. If the investor holds its QOF interest for at least 10 years, the investor can elect to exclude gain from the sale, with the exception of any gain attributable to sales of inventory (the 10-Year Benefit).

Investors who invest in a QOF are eligible for these OZ Program tax benefits regardless of whether the QOF invests in an underlying real estate deal or an underlying operating business in an opportunity zone.

Still Two Tiers: The Recommended OZ Structure Has Not Changed

We continue to recommend use of the two-tier structure for both real estate investments and operating business investments. Under the two-tier structure, investors invest into a QOF, and the QOF acquires an interest in a lower-tier partnership or corporation (the Subsidiary Company). The QOF still has its 90% asset test which is measured twice a year, and the value of the QOF's ownership interest in the Subsidiary Company will count as a "good asset" for purposes of the QOF's 90% asset test as long as the Subsidiary Company meets its own set of requirements.

Same, Same but Different: The Qualified Opportunity Zone Business

In order for the equity of the Subsidiary Company to be a good asset in the hands of a QOF, the Subsidiary Company has to be a trade or business that qualifies as a qualified opportunity zone business (QOZB). There are five requirements that a Subsidiary Company must satisfy in order to be a QOZB:

- The gross income requirement
- The tangible property requirement
- The intangible property requirement
- The 5% financial property limit –and–
- The sin business prohibition

Although these same five requirements apply in the context of a real estate investment (a real estate QOZB), the emphasis and focus of the QOZB rules in an operating business context will be different, and in particular the gross income requirement will be much more important.

Follow the Money: The Gross Income Requirement

Under the gross income requirement, in each taxable year a QOZB has to generate at least 50% of its gross income from the active conduct of its trade or business in an opportunity zone. For QOZBs that operate a business in an opportunity zone (operating business QOZBs) with customers both inside and outside, or perhaps entirely outside, of opportunity zones, there was some initial confusion on how this requirement would be measured.

Luckily, the Treasury regulations which have been issued for the OZ Program (the OZ Regulations) provide three safe harbors and a catch-all facts and circumstances test to help give operating business QOZBs some clarity. An operating business QOZB only has to satisfy one of the safe harbors, or the facts and circumstances test, in order to meet the gross income requirement.

Hours Safe Harbor

The hours safe harbor will be met if at least 50% of the services performed (based on hours) for the QOZB by its employees and independent contractors (and employees of independent contractors) are performed within an opportunity zone. To calculate the percentage for the hours safe harbor, the numerator is the total hours of services performed for the QOZB in an opportunity zone during the taxable year and the denominator is the total hours of services performed for the QOZB in that taxable year. If the QOZB is a partnership for tax purposes, and if any of its partners are performing services for the QOZB, the time spent by a partner in performing such services are taken into account in the calculation (both numerator and denominator) only if amounts paid to the partner for such services are treated as guaranteed payments for tax purposes. Note that the application of the hours safe harbor to the QOZB's partners is not entirely clear based on the language of the OZ Regulations and the preamble. If a QOZB has significant services performed by its partners that are treated as guaranteed payments, this safe harbor will have to be analyzed further.

For example, consider a start-up software business located in an opportunity zone that develops software for sale to customers globally. Even if the majority of the sales are to customers outside of an opportunity zone, the business can satisfy the hours safe harbor as long as at least 50% of the hours worked by the employees and independent contractors of the business are within the opportunity zone.

Compensation Safe Harbor

The compensation safe harbor will be met if at least 50% of the compensation for services performed for the QOZB by its employees and independent contractors (and employees of independent contractors) is paid for services performed in an opportunity zone. To calculate the percentage for the compensation safe harbor, the numerator is the total amount paid by the QOZB for services performed for the QOZB in an opportunity zone during the taxable year and the denominator is the total amount paid by the QOZB for services in that taxable year. If the QOZB is a partnership for tax purposes, and if any of its partners are performing services for the QOZB, amounts paid to a partner for such services are taken into account in the calculation (both numerator and denominator) only if those amounts are treated as guaranteed payments for tax purposes.

If the software business mentioned above has an office in an opportunity zone and a service center not in an opportunity zone, even if more hours are logged by the employees at the service center, the business can meet the compensation safe harbor if the business pays at least 50% of its total compensation to employees working at the office in the opportunity zone. Again, you only need to win under one of the safe harbors to meet the gross income requirement.

Property and Management Safe Harbor

The property and management safe harbor will be met if (1) the tangible property of the QOZB in an opportunity zone, and (2) the management or operational functions performed for the QOZB in an opportunity zone, are each necessary to generate 50% of the gross income of the QOZB.

For example, if a landscaper's headquarters are located in an opportunity zone, its officers and employees manage the daily operations of the business from that headquarters, and all of its equipment and supplies are stored at the headquarters or elsewhere in the opportunity zone, then this safe harbor will be met even if the landscaping work is done outside of an opportunity zone.

Facts and Circumstances

If none of these safe harbors are available, the QOZB can still satisfy the gross income requirement if it can establish, based on all the facts and circumstances, that at least 50% of its gross income is derived from activities in an opportunity zone. Having a PO Box or other delivery address in an opportunity zone is not sufficient.

COVID-19 and Remote Work

Unfortunately, despite offering COVID-19 relief to many of the OZ Program requirements, the Treasury has not offered any relief to the gross income requirement. If your QOZB has employees working remotely outside an opportunity zone due to the pandemic, the location of those employees might cause the QOZB to fail the gross income requirement. Keep in mind that the QOZB can use any of the safe harbors, so you should analyze each of the safe harbors discussed above. If the QOZB cannot meet the hours safe harbor, perhaps the compensation safe harbor might be available if the highest paid employees are showing up to the office.

Whether You Own Something or You Own Nothing: The Tangible Property Requirement

Even though operating business QOZBs may not own or acquire much real property, if any, they still need to comply with the tangible property requirement (which picks up real property, personal property, and leased property). Under the tangible property requirement, 70% of the tangible property owned or leased by the QOZB must be qualified opportunity zone business property (QOZBP).

In order for property to qualify as QOZBP, there are three requirements:

- First, the QOZB must meet either the original use test or the substantial improvement test with respect to the tangible property.

- Second, the tangible property must have been acquired by purchase after December 31, 2017, from an unrelated party (the Purchase Requirement). –and–
- Third, the QOZB must meet the substantially all tests (defined below).

The rules apply differently to owned property and leased property, so we will run through the application of the rules in each context. Even if you understand the QOZBP rules for real estate, it's worth taking the time to understand the variations for an operating business QOZB.

Property Owned by a QOZB

As noted above, even if an operating business QOZB does not own real property, an operating business QOZB will typically have some amount of owned personal property.

Original Use All the Way

Both real estate QOZBs and operating business QOZBs must ensure that substantially all of their tangible property meets either the original use test or the substantial improvement test. As you will see, operating business QOZBs will almost certainly be relying on the original use test, since the substantial improvement test is unlikely to be relevant for their owned tangible property.

In order to meet the substantial improvement test, within a 30-month period the property must be improved by the QOZB so that the additions to the property's basis equal or exceed the QOZB's basis in the property at the beginning of the 30-month period. This is often referred to as the double your basis requirement. Applying the substantial improvement test in a real estate context is fairly straightforward: a QOZB acquires real property such as a building and substantially improves it within the required time frame. However, in the context of an operating business QOZB, it may be difficult (or impossible) to double the basis of certain business assets. For example, you cannot double the basis of a desk chair by buying a second desk chair, and most people would not bother improving their existing desk chair by a substantial amount (diamond studded arm rests perhaps?).

Instead, most operating business QOZBs will buy new equipment (desk, chairs, computers, machinery, etc.) for use in the business. The OZ Regulations include a very user-friendly definition of original use, stating that any property newly placed in service (for depreciation purposes) by the QOZB meets the original use test. So any new equipment placed in service by the QOZB will meet the original use test. For example, any new equipment or other personal property purchased and put to use for the first time in an opportunity zone by the QOZB will be QOZBP (subject to the purchase requirement and the substantially all tests discussed immediately below). Additionally, the OZ Regulations provide that used tangible property can satisfy the original use test if the property has not been previously used or placed in service in the opportunity zone. So an operating business QOZB could buy used tangible property as long as it was not used in the opportunity zone where the operating business QOZB will use it.

Arm's Length Only for Purchases

The purchase requirement for tangible property acquired by an operating business QOZB is the same purchase requirement that applies to real property acquired by a real estate QOZB. The tangible property must be acquired by purchase from an unrelated party after December 31, 2017. Contributions of business assets will not qualify, and acquisitions from a related party (defined with a 20% threshold for relatedness) will similarly not qualify.

This is unlikely to be a significant hurdle. For example, just buy the office equipment from a true third party.

Substantially All and Substantially All

The third requirement of the QOZBP definition requires that during substantially all (90% for this purpose) of the QOZB's holding period of QOZBP, substantially all (70% for this purpose) of the use of the property be in an opportunity zone (the substantially all tests). It is helpful to consider each component of the substantially all tests separately.

First, 70% of the use of the QOZB's tangible property must be in an opportunity zone (the 70% use test). Second, the QOZB has to meet the 70% use test during at least 90% of the QOZB's holding period for such property (the 90% holding period test).

- 70% Use Test

Unlike real estate, which tends to stay in one place, QOZBP used by an operating business QOZB may very well travel. For example, an employee may use a laptop in the office as well as on the road or at home.

Under the OZ Regulations, tangible property used by a QOZB meets the 70% use test if the tangible property is qualified tangible property (QTP). Tangible property that meets one of three tests below will be QTP:

  - o **Day counting test.** Under the first test, tangible property will be QTP if at least 70% of the total utilization of the tangible property is within an opportunity zone, based on the number of days the tangible property is used within an opportunity zone.

Despite the relative simplicity of this test, a number of questions remain. Does the property need to be used in an opportunity zone for the entire day, or just a portion of the day? What about evenings and weekends? In the absence of further guidance for the moment, the conservative approach would be to ensure the tangible property is used in an opportunity zone for the majority of any particular day you want to count for purposes of this test, and to store the tangible property in an opportunity zone over the weekend.

- **Mobile tangible property safe harbor**. For mobile tangible property used by a QOZB in rendering services both inside and outside of one or more opportunity zones, the OZ Regulations provide a safe harbor (the mobile tangible property safe harbor), which is intended to strike an appropriate balance between allowing flexibility for business development and ensuring that such business development primarily benefits low-income communities in opportunity zones. However, the mobile tangible property safe harbor only permits up to 20% of the tangible property of a trade or business to be treated as QTP, so a QOZB will need to ensure that the remainder of its tangible property can qualify as QTP under one of the other rules. The mobile tangible property safe harbor is satisfied if (1) the tangible property used by the QOZB to provide services directly generates gross income for the QOZB both inside and outside of one or more opportunity zones; (2) the QOZB has an office or other fixed location in an opportunity zone; (3) the tangible property is operated by employees of the QOZB who regularly use the office in an opportunity zone and who managed directly, actively, and substantially on a day-to-day basis by one or more employees of the QOZB who carry out their duties at an office in an opportunity zone; and (4) the tangible property must not be operated exclusively outside of an opportunity zone for a period longer than 14 consecutive days. For example, if an employee of a landscaping business uses landscaping equipment both in and out of opportunity zones, in order for the equipment to qualify for the mobile tangible property safe harbor, the equipment must be used by the employee to provide services that directly generate gross income, the business must have an office in an opportunity zone, the employees must regularly use the office and must be managed by employees from the office, and the employee must use the equipment in an opportunity zone at least once every 14 days.

- **Short-term leasing business safe harbor**. If a QOZB has a leasing business, its tangible property can be QTP if (1) the QOZB has an office in an opportunity zone and its employees use the office to regularly lease the tangible property to customers; (2) consistent with the normal, usual, or customary conduct of its trade or business, the tangible property is parked or stored in an opportunity zone when not leased to customers; and (3) no lease to a customer gives the customer possession of the tangible property for longer than 30 consecutive days.

• 90% Holding Period Test

Under the 90% holding period test, the QOZB has to meet the 70% use test for its tangible property during at least 90% of the QOZB's holding period for such property.

In theory, the 90% holding period test provides some flexibility. However, because the 90% holding period test is applied cumulatively, an early failure can cause tangible property to fail the substantially all tests even if that property is subsequently used in a qualifying manner. For example, assume a QOZB fails to meet the 70% use test for particular tangible property during an early testing period, and then meets the 70% use test for that property in the next testing period. Even though the property is now in compliance with the 70% use test, the property does not meet the 90% holding period test because the property has only satisfied the 70% use test for 50% of the QOZB's holding period of the property (one out of the two testing periods). If the property fails to qualify under the substantially all tests, the property is not QOZBP.

The takeaway is that a QOZB should assume that the 70% use test needs to be met for every testing period.

Property Leased by a QOZB

The leased property rules are the most advantageous guidance in the OZ Regulations for operating business QOZBs. In addition to clarifying that leased property can also qualify as QOZBP (which was murky based on the language in the Internal Revenue Code), leased property gets to sidestep a few of the QOZBP requirements.

As Is, Where Is: No Improvements Required

Neither the original use test nor the substantial improvement test apply to leased property. So an operating business QOZB can lease office space in an opportunity zone without any requirement to build anything new or improve the property, and the value of the lease can count as QOZBP, subject to the rules described below. This is a sensible rule for operating business QOZBs, since an operating business should be focused on making widgets, not spending investor dollars on upgrading the office space. A tech company that leases both office space and other personal property such as computers can apply the value of both leases towards its tangible property requirement.

We're All Family Here: No Related Party Restriction

Although the lease does have to meet a variation of the purchase requirement, the critical related party test drops away. The lease must be entered into after 2017, and it must have arm's length and standard market terms, but there is no requirement that the lessor and lessee be unrelated parties, as is the case for property purchased by a QOZB. For example, if a group of investors formed a QOF to invest into a real estate QOZB to build a new building in an opportunity zone, those same investors could form a second QOF to invest in an operating business QOZB to rent out space in the new building. This could be a real driver to development in an area, since real estate investors who develop property in an opportunity zone are already incentivized to encourage additional economic activity and growth in that opportunity zone.

If the lessor and lessee are related, a few additional requirements kick in, including a prohibition on prepayments. For example, restrictions apply to a lease of personal property between related parties where the personal property has already been in use. In that case, the QOZB must acquire an equal amount of QOZBP within a specified time period, among other requirements. There is also an anti-abuse rule which disqualifies leased property as QOZBP if the lease of real property is subject to a plan, intent, or expectation that the real property would be purchased for an amount other than its fair market value. This is designed to prevent the use of leases to avoid the substantial improvement test.

The OZ Regulations incorporate a rebuttable presumption that, for leases between unrelated parties, the terms of the lease are considered market rate, and also provide that tangible property acquired by lease from a state or local government, or an Indian tribal government, is not considered tangible property acquired by lease from a related party.

Still Substantially All

The third QOZBP requirement (the substantially all tests) applies to leased property in the same manner as owned property. See above for specific requirements of the substantially all tests.

Overall, the leased property rules are very user-friendly, so this is a big win for developers looking to market their spaces for lease and for investors looking to start a business in an opportunity zone.

Keep It Local: The Intangible Property Requirement

To the extent a QOZB has intangible property, a substantial portion of the QOZB's intangible property must be used in the active conduct of its trade or business in an opportunity zone. The OZ Regulations define substantial for this purpose as 40%, so there is a fair amount of leeway here to begin with.

Additionally, to provide greater certainty in determining where intangible property is located and used, the OZ Regulations provide that intangible property of a QOZB will be treated as used in the active conduct of a trade or business in an opportunity zone if (1) the use of the intangible property is normal, usual, or customary in the conduct of the trade or business, and (2) the intangible property is used in the opportunity zone in the performance of an activity of the trade or business that contributes to the generation of gross income for the trade or business.

Investing in the Community: The 5% Financial Property Limit

The OZ Program was created to encourage investment in opportunity zones to drive economic activity. Although both real estate development and non-real estate operating businesses are permitted, the OZ Program framework does not permit investors to claim the OZ Program tax benefits for investments in financial products. This restriction takes the form of a limit on a QOZB's financial assets (the 5% financial property limit). Under the 5% financial property limit, less than 5% of the average aggregate unadjusted bases of the QOZB's property can be attributable to nonqualified financial property (NQFP).

NQFP includes debt, stock, partnership interests, options, futures contracts, forward contracts, warrants, notional principal contracts, annuities, and other similar property. However, reasonable amounts of working capital held in cash, cash equivalents, or debt instruments with a term of 18 months or less (working capital assets) do not constitute NQFP.

The Working Capital Safe Harbor

There is no definition for what constitutes a reasonable amount of working capital for purposes of the exception for working capital assets. In order to provide some certainty to QOZBs, the OZ Regulations provide a safe harbor (the WCSH) that permits a QOZB to treat its working capital assets as a reasonable amount.

If a QOZB properly documents and maintains a WCSH, its assets are treated as reasonable in amount and any financial property (such as cash) that is covered by the WCSH loses its otherwise disqualifying taint. In order for a QOZB's assets to be considered reasonable in amount under the WCSH, there are three requirements.

Three WCSH Requirements

First, the QOZB must prepare a statement in writing that the QOZB's assets are designated for the development of a trade or business in an opportunity zone, including if appropriate the acquisition, construction, or substantial improvement of tangible property in an opportunity zone. For example, a real estate QOZB should have a statement reflecting its intent to develop or improve a particular property, and an operating business QOZB should have a statement reflecting the anticipated business use for its working capital assets.

Second, the QOZB must prepare a written schedule for the planned expenditure of the working capital assets within 31 months of the receipt by the QOZB of the working capital assets (the 31-month schedule).

Third, the QOZB must actually use the working capital assets in a manner that is substantially consistent with the statement and 31-month schedule (the consistent use requirement). The QOZB can toll the 31-month clock for certain delays.

Multiple Working Capital Safe Harbors

Depending on a QOZB's project, capital may be needed in stages as the project progresses. For example, an operating business QOZB may need cash initially to lease industrial space or office space, and to pay key employees to develop its operational procedures. The QOZB may need additional cash to actually begin operations and buy inventory or advance supplies.

If the total timeline for the start-up phase exceeds 31 months, the QOZB should not collect all of the required capital upfront, since it will not be able to comply with the WCSH rules which require spending the working capital assets within 31 months.

Thankfully, a QOZB can have multiple sequential overlapping WCSHs, as long as each one meets the three requirements set out above. This means that each WCSH has to have its own statement and 31-month schedule, and the QOZB must meet the consistent use requirement for each WCSH.

The 62-Month Safe Harbor

Use of the WCSH enables a QOZB to rely on a 62-month start-up safe harbor for QOZBs (the 62-month safe harbor), understanding that it may take a QOZB some time to actually start its trade or business. The 62-month safe harbor helps a QOZB comply with three of the QOZB requirements (the gross income requirement, the tangible property requirement, and the intangible property requirement) during its first 62 months. If the QOZB has one or more WCSHs in place during the 62-month period, in the form of either overlapping or sequential applications of the WCSH, the 62-month safe harbor offers the following benefits:

- **Gross income requirement.** If a QOZB derives gross income from working capital assets that are covered by a WCSH, that gross income is counted towards satisfaction of the gross income requirement during the WCSH period. This is helpful because a QOZB in the midst of a start-up business is not likely to have any gross income yet from its trade or business. Absent this safe harbor, if the QOZB has some of its working capital assets in an interest-bearing account, that interest income could jeopardize the QOZB's ability to comply with the gross income requirement, since even a de minimis amount of interest could exceed 50% of the QOZB's gross income in an early year.
- **Tangible property requirement.** A start-up business is deemed to meet the tangible property requirement during the WCSH period. This can be incredibly important to real estate QOZBs, but operating business QOZBs may also find some usefulness here if they start out with nonqualified property (such as contributed property or property acquired from a related party).
- **Intangible property requirement.** Any intangible property purchased or licensed by the QOZB pursuant to a valid WCSH satisfies the intangible property requirement during the WCSH period. This is helpful because the QOZB would otherwise be required to use at least 40% of its intangible property in its trade or business in an opportunity zone. If the QOZB has not yet started its business, it would not be able to meet the intangible property requirement.

Note that the 62-month safe harbor does not extend the 31-month WCSH to 62 months. A QOZB does not have 62 months from the time it receives working capital assets to use those amounts under a single WCSH. A QOZB still has only 31 months from the date it receives working capital assets to consume those assets, subject to possible tolling for delays. Rather, the 62-month safe harbor allows aQOZB to string together WCSHs with multiple infusions of cash over time in order to develop its business.

At the expiration of a QOZB's 62-month safe harbor (which can be less than 62 months if the QOZB does not have WCSHs in place for the full 62 months), a QOZB will have to meet all of the QOZB requirements independently without the benefit of the 62-month safe harbor.

Nonqualified Financial Property – Tread Carefully

The 5% financial property limit effectively adds banking as a new sin business for QOZBs, since debt is not permitted property past 5% of a QOZB's assets. It does not appear that Treasury has plans to carve out an exception for local banks serving the needs of the community.

Similarly, QOZBs that engage in investment management services need to be mindful of the NQFP rules. Fee-based advisory services are okay, but keep in mind that partnership interests granted by other funds or investment vehicles are NQFP.

On the Straight and Narrow: The Sin Business Prohibition

Aside from banking (and holding other financial assets) as mentioned above, a QOZB cannot be a specified sin business, which includes massage parlors, hot tub facilities, suntan facilities, racetracks or other gambling facilities, golf courses, country clubs, and liquor stores.

The OZ Regulations provide that a de minimis amount of gross income (i.e., less than 5% of gross income) attributable to a sin business will not cause the business to fail to be a QOZB. For example, if a QOZB is operating a hotel with a spa, the spa can offer massage services as long as the gross income from the services are less than 5% of the total gross income of the hotel.

Don't fall off the wagon!

Don't Miss Your Exit: The 10-Year Benefit

The 10-year benefit for QOF investors is very generous. As long as an investor has held its QOF interest for at least 10 years, the investor can elect to exclude any gain from selling its QOF interest, from a sale by the QOF of its QOZB interest, or a sale by the QOZB of its assets. The only gain excluded from the 10-year benefit is gain arising from the sale of inventory in the ordinary course of business.

You Have the Map – Ready to Go?

Operating business QOZBs can be a real driver of economic growth in opportunity zones. With some careful planning, a QOF can use its investment dollars to help fund new businesses or relocate existing ones. Let's get to work!

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