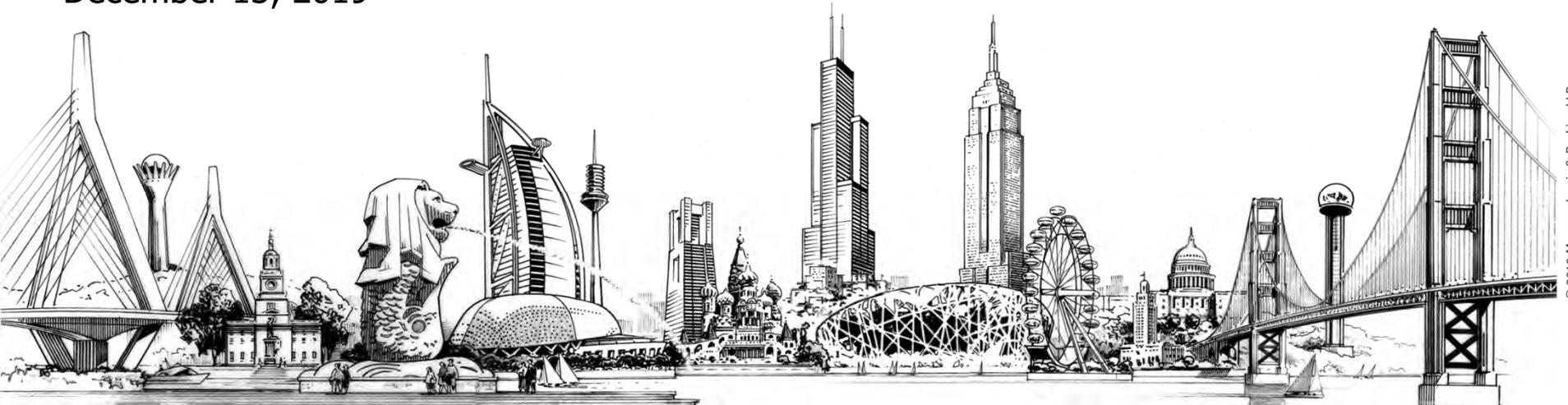


Morgan Lewis

# QUALIFIED OPPORTUNITY ZONES

Presenters: Richard C. LaFalce and Nawal K. Maalouf  
December 13, 2019



# Discussion Topics

- Latest Developments & Final Regulations
- Significance of December 31<sup>st</sup>, 2019
- Timing issues for capital contributed at year-end
- Moving around capital within QOF structure
- Most Common Questions/Challenges in forming QOFs

# Latest Developments & Final Regulations

- December 22, 2017: Sections 1400Z-1, 1400Z-2 added to the IRC as part of the Tax Cuts and Jobs Act.
- June 14, 2018: Final list of Qualified Opportunity Zones submitted by state governors.
- October 19, 2018: First set of proposed regulations issued by the IRS and Treasury; also issued Revenue Ruling 2018-29.
- February 14, 2019: Public Hearing at the IRS.
- April 17, 2019: Second set of proposed regulations issued.
- July 9, 2019: Second Public Hearing at the IRS.
- December 6, 2019: Final Regulations sent to Office of Information and Regulatory Affairs for review.
- Final Regulations Issued?

# Significance of December 31<sup>st</sup>, 2019

- 7-Year Basis Step-Up Rule
- Recognition of Eligible Gains
  - Through Partnerships
  - Section 1231 Gains
  - Other special types of capital gains

# Timing issues for capital contributed at year-end

- QOF Testing – 90% Test
- Reporting on Form 8996 – Self Certification
- Penalties

# Moving around capital within QOF structure

- Interaction between the QOF 90% Test and QOZB formation.
- Working Capital Safeharbor for QOZBs

# Most Common Questions/Challenges in forming QOFs

- Timing Recognition of Eligible Gains with investments in QOFs
- Prior Acquisitions
- Partial Sales –Related Party Issues
- Timing Deployment of Capital
- Existing Businesses
- Requirement to substantially improve each property
- Location of intangible property

# Questions & Future Webinars

- Stay Tuned for the Final Regulations
- Contact us with Questions

# Resources & Contacts

**Visit our Opportunity Zone Funds webpage for related webinars, recordings, LawFlashes, articles, and more:**

<https://www.morganlewis.com/services/opportunity-zone-funds>

# Biography



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Richard C. LaFalce counsels clients on the creation and taxation of private and pooled investment vehicles such as mutual funds, REITs, ETFs, hedge funds, Opportunity Zone Funds, and other investment-related entities. He frequently advises clients on the taxation of financial products, general corporate and international tax matters, and UBIT. Before joining Morgan Lewis, Rich was an assistant branch chief in the Internal Revenue Service Office of Chief Counsel, Financial Institutions and Products.

# Biography



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Nawal K. Maalouf concentrates her practice on US federal and international tax planning matters. Nawal represents a wide range of clients including public and private companies, financial institutions, private equity and corporate investors, nonprofit organizations, and individual clients. She advises on a variety of domestic and international transactions, including taxable and tax-free mergers and acquisitions, bank financing arrangements, private and public securities issuances, tax audits, nonprofit formation and governance, and private client matters.

# THANK YOU

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