



CLEARCOMPLIANCE GROUP
LLC

Opportunity Zones

An introduction to opportunities in improving American communities

Disclaimer

This presentation is for basic informational purposes only. Viewers should perform their own due diligence before conducting any business or making financial decisions in or related to the Opportunity Zones.

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What is an Opportunity Zone?



What is an Opportunity Zone?

- As part of the Tax Cuts and Jobs Act implemented on December 22, 2017
- An economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment

Who
oversees the
Opportunity
Zones?



Who oversees the Opportunity Zones?

- U.S. Department of Treasury authorized the Opportunity Zones
- Treasury designated the IRS authority in implementing the regulations

What is the
goal of
Opportunity
Zones?



What is the goal of Opportunity Zones?

- To improve targeted areas through investment opportunities
- To drive further investments into the targeted areas
- To create economic development and job creation that will improve the lives of low-income residents

How were
Opportunity
Zones
designated?



How were Opportunity Zones designated?

- City and County officials provide input to the Governor for consideration
- Governors submit list of potential zones to the U.S. Treasury
- Treasury Secretary reviews and approves the zones as part of the Opportunity Zones

How many
Opportunity
Zones are
there?



How many
Opportunity
Zones are
there?

8,764 Opportunity Zones

Where are the
Opportunity
Zones located?



Where are the Opportunity Zones located?

- All 50 States
- District of Columbia
- All five territories
 - Guam
 - Northern Marianas Island
 - Puerto Rico
 - U.S. Virgin Islands
 - American Samoa

Where are the Opportunity Zones located?

- More than 2,000 counties and independent cities

Who can
participate in
an
Opportunity
Zone?



Who can participate in an Opportunity Zone?

- Participation is through an established Opportunity Zone fund
- Fund must be created or organized in one of the 50 States, the District of Columbia, or one of five U.S. territories

Who can participate in an Opportunity Zone?

- Registered corporations or other types of partnerships can establish a fund through proper paperwork
- Fund or its managers do not need to be physically located within an Opportunity Zone

Who can participate in an Opportunity Zone?

- Individual, corporation, LLC, or partnership, or other eligible party recognized for Federal income tax purposes can invest in established Opportunity Zone funds
- Individuals and businesses located within the designated Opportunity Zones

What can you
do in an
Opportunity
Zone?



What can you do in an Opportunity Zone?

- Defer eligible gains for federal tax purposes
- Renovate real estate properties
- Land development
- Invest in businesses
- Operate businesses

What you
cannot do in
an
Opportunity
Zone?



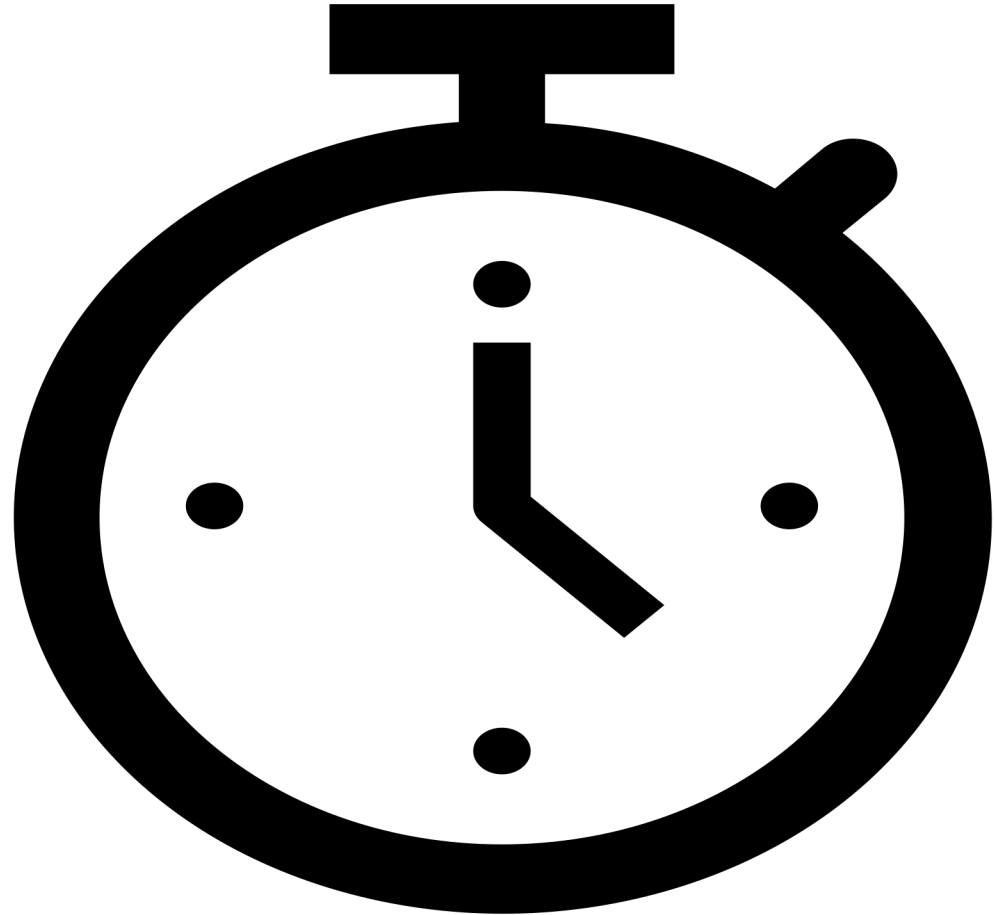
What you cannot do in an Opportunity Zone?

- Any store of which the principal business is related to alcohol for consumption off premises
- Any store or business related to marijuana
- Private or commercial golf courses
- Country club

What you cannot do in an Opportunity Zone?

- Massage parlor
- Hot tub facility
- Racetrack or other facilities used for gambling
- Suntan facility

How long will
Opportunity
Zones last?



How long will Opportunity Zones last?

- Opportunity Zones are active for 10 years
- Opportunity Zones became effective on December 31, 2018
- Opportunity Zone designations will end on December 31, 2028

How is
progress or
impact
tracked in an
Opportunity
Zone?



How is progress or impact tracked in an Opportunity Zone?

- Opportunity Zone funds self-reporting for eligibility purposes
- No established reporting requirements related to measuring impact or progress within the fund or Opportunity Zones, yet

How is progress or impact tracked in an Opportunity Zone?

- [Potential plans to include reporting requirements](#) through Senate Bill S. 1344 – 116th Congress
- Sponsor of the bill
 - Cory Booker (D-New Jersey)
- Cosponsors
 - Tim Scott (R-South Carolina)
 - Todd Young (R-Indiana)
 - Maggie Hassan (D-New Hampshire)

What are the
potential
concerns
about
Opportunity
Zones?



What are the potential concerns about Opportunity Zones?

- Questionable Opportunity Zone designations
- Questionable developers and fund managers
- Businesses or residential complexes not intended for the targeted individuals

What are the potential concerns about Opportunity Zones?

- Potential conflicts of interest
- Goals and objectives of the fund or zone not met
- Concerns about gentrification
- Lack of community involvement or representation within the fund and its investments

What are the potential concerns about Opportunity Zones?

- Little or no impact on the area
- Investments going to areas not in need
- Lack of interest from the targeted communities
- Repeated errors from other economic, empowerment, enterprise, and promise zones

What are the potential concerns about Opportunity Zones?

- Lack of recordkeeping by the fund to track progress and impact that is clear, concise, consistent
- Perceived thoughts of mistrust between residents and those involved in or associated with the funds

What are the potential concerns about Opportunity Zones?

- How will the fund and zones hold up to audits from the IRS, federal inspector generals (IGs), and Government Accountability Office (GAO)?
- Uncertainty about all of the regulations associated with Opportunity Zones

Where can I
find
information
and regulations
about
Opportunity
Zones?



Where can I
find
information
and regulations
about
Opportunity
Zones?

- [U.S. Department of Treasury
Community Development Financial
Institutions \(CDFI\) Fund](#)

Where can I
find
information
and regulations
about
Opportunity
Zones?

- Regulations
 - [26 USC Subtitle A, Chapter 1, Subchapter Z: Opportunity Zones](#)
 - [Internal Revenue Code 1400Z-2 Revised Rules 2018-29](#)
 - [Internal Revenue Bulletin Notice 2018-48](#)

Where can I
find
information
and regulations
about
Opportunity
Zones?

- Special California rules – pending
 - [Governor Gavin Newsom's plans for California Opportunity Zones](#)
 - [State of California proposed bill](#)
- Check states, territories, county, and city legislation for any special rules

Other resources



Other resources

- [Form](#) and [instructions](#) to be certified as a Qualified Opportunity Fund
- [Opportunity Zones Mapping Tool](#)
- Major Publications and Blogs for insight and information

Closing message



Closing message

- Lots of opportunity to rebuild communities and lives in need
- Provides tax benefits to those seeking to minimize tax burdens
- Information and resources are available to help funds succeed
- Establish good recordkeeping and track record for progress

Closing message

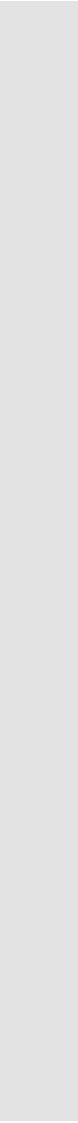

- Be prepared for scrutiny from media, community, and other critics
- Practice due diligence with all parties involved in the fund and zones
- Anticipate reviews or audits from the IRS, Treasury, and IGs as these are the ones you need to be really worried about

Closing message

- Aside from the lawyers, **hire a good compliance officer, auditor, or someone** with good experience dealing with audits, reviews, and IGs
- Avoid any potential or perceived conflicts of interest with government officials, non-profits, and businesses unless approved in advance and in writing

Closing message

- Avoid repeating the mistakes of other initiatives that were supposed to improve the communities and lives of those in it



Good luck
and
well wishes!

Contact Us



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