

**CAMDEN COUNTY
OPPORTUNITY ZONES
PROGRAM**

Improvement Authority

Roll: Assist developers by facilitating relationship and assisting them navigate all levels of Government and bringing needed redevelopment projects to completion.

Opportunity Zone: An area within an economically distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment by the Internal Revenue Service (IRS).

How Created: Opportunity Zones (OZs) were added to the IRS tax code by the Tax Cuts and Jobs Act on December 22, 2017.

OZ Purpose: OZs are an economic development tool designed to spur economic development and job creation in distressed communities.

How Designated: States nominate Opportunity Zones, and the Secretary of the United States Treasury certify them.

Camden County

OZs: Four municipalities have OZs:

- Camden City
- Pennsauken Township
- Lindenwold Borough
- Pine Hill Borough

Three Major Benefits to OZ Investors:

1. Capital gains tax deferment – Profits (capital gains) from sale of an existing investment will accrue tax. Reinvesting those gains in an OZ gives investors a deferment on paying those capital gains taxes, either until that new interest is sold or until the year 2026, whichever comes first.
2. Capital gains tax reduction – 10% and 15% reductions in capital gains tax payments:

- a. 10% reduction in paying capital gains tax on sale of old property, an investor must use profits from that sale to reinvest in OZ by 2021, and he/she must hold onto that investment for a full 5 years, or until 2026.
 - b. 15% reduction in paying capital gains tax on sale of old property, an investor must use profits from that sale to reinvest in an OZ within 180 days of that sale. Further, the investor must finalize that new OZ transaction before the end of 2019 and hold onto that investment through 2026, thus fulfilling the 7-year requirement.
3. Capital gains elimination – Investors purchase a new investment in an OZ using their previous capital gains and hold that interest for 10 years or longer. The capital gains tax is eliminated on the future sale of the investment made with an investor’s initial capital gains investments. In essence, investors still have to pay deferred and potentially reduced capital gains tax on their old investment in 2026, but they pay no capital gains tax on the new OZ investment when they sell it after holding it for at least 10 years.

Qualified Opportunity Fund:

A Qualified Opportunity Fund (“QOF”) is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in a Qualified Opportunity Zone.

QOFs are self-certifying according to IRS guidelines.

QOFs are required to invest 90% or more of their capital as equity in an OZ property.

OZ property includes stock, partnership interest or business property in an OZ.

Becoming a Qualified Opportunity Fund:

A Qualified Opportunity Fund is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in a Qualified Opportunity Zone.

A limited liability company that chooses to be treated either as a partnership or corporation for federal tax purposes can organize as a Qualified Opportunity Fund.

Eligible Investments (Only equity investments are eligible for the OZ tax incentive):

- Business Investments – new stock issuance for corporations and ownership interests in partnerships and LLCs
- Investments in Real Estate – An ownership interest of new construction or assets that will be “substantially improved” within 30 months of acquisition by the QOF

- New Equipment and Other Assets

Examples:

- OZ Investment made during 2018 or 2019
- 2018/2019 Sale of Original Assets New OZ Investment
- 2023/2024 5-year deferral on Capital Gain Tax on Original Asset - 10% reduction
- 2025/2026 7-year deferral on Capital Gain Tax on Original Asset - 15% reduction No later than
- 12/31/2026 Deferred Capital Gain on Original Asset Sale recognized
- 2028/2029 10-year Capital Gain on OZ investment eliminated (10 years or later)

OZ Investment made during 2020 or 2021

2020/2021	Sale of Original Assets New OZ Investment
2023/2024	5-year deferral on Capital Gain Tax on Original Asset - 10% reduction No later than 12/31/2026
2030/2031 eliminated (10 years or later)	Deferred Capital Gain on Original Asset Sale recognized 10-year Capital Gain on OZ investment

OZ Investment made during 2022 to 2026

2022 - 2026	Sale of Original Assets New OZ Investment
No later than 12/31/2026	Deferred Capital Gain on Original Asset Sale recognized
2032 - 2036 eliminated (10 years or later)	10-year Capital Gain on OZ investment