

Tax breaks target investing in struggling communities

The Opportunity Zone program was established under the sweeping Tax Cuts and Jobs Act. The initiative created defined opportunity zones which offer significant potential tax breaks to individuals and companies who invest in selected urban and rural areas that meet income or poverty thresholds.

A key attraction

Investing in opportunity zones allows investors to defer capital gains from other investments. The program also offers the potential for a full tax break on subsequent investment gains.

That innovation is a significant one for both communities and investors.

The law recognizes transformative steps are needed to revitalize rural communities and some urban pockets that have seen little to no economic revitalization following the 2008 financial crisis—a contrast to popular metropolitan areas that have attracted significant private investment over the past decade.

The tax law also allows opportunity zones to be designated by the governors of each state from a pool of low-income, high-poverty areas identified by Census data and certified by the U.S. Treasury.

Taxpayers can invest directly in opportunity zones or in “qualified opportunity funds” (“QOF”) that seed businesses and real estate developments in those areas. An opportunity fund is an investment vehicle organized as a corporation or a partnership that holds at least 90% of its assets in qualified opportunity zone areas.

Opportunity fund investors reinvest their capital gains from other investments—money made on the sale of an asset such as a business, real estate or appreciated stock—in the fund. It would be considered a long-term investment, with the largest tax benefits available to those who remain invested for at least 10 years.

William Blair offers qualifying clients the option to invest in a number of opportunity zone fund solutions that most appropriately meet clients’ financial goals. For more information, contact your William Blair wealth advisor.

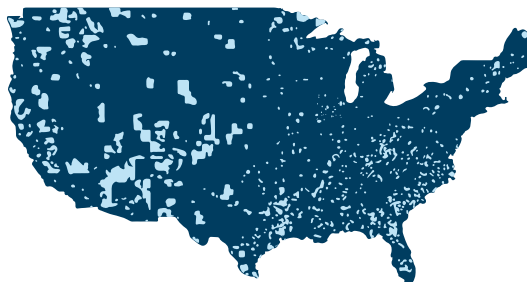
For more details, visit:

williamblair.com/Insights/Opportunity-Zones

EXHIBIT 1

Opportunity Zones

More than 8,700 opportunity zones have been designated across the country, primarily in urban areas. For example, in Illinois there are 327 zones, with more than 130 in Chicago, mostly in the South and West sides of the city.



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Opportunity Zones

A triple tax advantage possible

A temporary deferral on capital gains

Initially, taxpayers may defer taxation on their capital gains by reinvesting into an opportunity zone or fund within a defined period of time.

This deferral is available until December 31, 2026, with the deferred capital gains tax due by April 2027.

Permanent exclusion

After 10 years, there is no capital gains tax due on the investment's appreciation beyond the original reinvested capital into an opportunity zone area or a qualified opportunity fund. This is a rarity relative to typical private equity and real estate investing.

September 2024

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