



TaxNewsFlash

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Final regulations: Opportunity zones (text of regulations and FAQs)

The U.S. Treasury Department and IRS today issued a version of final regulations [T.D. 9889] concerning the opportunity zones tax incentive as enacted by the 2017 tax law (Pub. L. No. 115-97)—the law that is often referred to as the “Tax Cuts and Jobs Act” (TCJA).

The opportunity zone tax incentive generally offers capital gains tax relief for investments made in economically distressed areas.

Read the [final regulations](#) [PDF 1.33 MB] (544 pages)

According to an IRS release—[IR-2019-212](#) (December 19, 2019)—the final regulations:

- Provide guidance for taxpayers eligible to make an election to temporarily defer the inclusion in gross income of certain eligible gain
- Address the ability of taxpayers' eligibility to increase the basis in their qualifying investment equal to the fair market value of the investment on the date that it is sold, after holding the equity interest for at least 10 years
- Provide a list of inclusion events
- Provide guidance to determine the amount of income that must be included at the time of the inclusion event or December 31, 2026
- Address the various requirements that must be met to qualify as a qualified opportunity fund (QOF), as well as the requirements an entity must meet to qualify as a qualified opportunity zone (QOZ) business
- Modify the proposed regulations for QOFs and QOZ businesses, and specifically provide additional guidance on how an entity becomes a QOF or QOZ business, and the requirement that a QOF or QOZ business engage in a trade or business
- Retain the general approach of the proposed regulations but provide additional guidance and clarity to the rules regarding QOZ business property

The IRS also noted that forms, instructions, and other information taxpayers need to take advantage of this update will be made available in January 2020.

The [Treasury release](#) includes a set of “frequently asked questions” (FAQs) relating to opportunity zones.

The version of the final regulations released by Treasury and the IRS today includes this statement:

This document will be submitted to the Office of the Federal Register (OFR) for publication. The version of the final rule released today may vary slightly from the published document if minor editorial changes are made during the OFR review process. The document published in the Federal Register will be the official document.

The purpose of this report is to provide text of the final regulations. A follow-up report of initial impressions about these regulations will be provided by KPMG.

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