

Qualified Opportunity Zones (QOZ): A Tax Saving Opportunity

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At Accretive Wealth Management (AWM), we are always looking for innovative investment opportunities that can benefit our clients and optimize their portfolios. One such opportunity that stands out for those seeking to reduce their tax liability while making long-term investments is the Qualified Opportunity Zone (QOZ). In this blog post, we will walk you through what QOZs are, how they work, why they could be a great fit for clients with capital gains, and why a 10-year investment horizon might be worth considering.

What Are Qualified Opportunity Zones (QOZ)?

Qualified Opportunity Zones (QOZs) were established through the Tax Cuts and Jobs Act of 2017 as a way to encourage investment in economically distressed areas across the United States. These areas have been designated by the U.S. Treasury and are designed to spur economic growth by attracting both private and institutional investment into real estate, infrastructure, and businesses. The goal is to drive revitalization and job creation in these communities, while also providing tax incentives to investors who contribute capital to projects within these zones. This creates a win-win for both the local economy and investors.

How Do QOZs Work?

Investing in a qualified fund is the pathway to taking advantage of QOZ incentives. These types of funds are an investment vehicle that must primarily invest in Qualified Opportunity Zones.

What makes QOZs particularly attractive are the tax incentives they offer. These incentives depend on how long you hold the investment, creating potential for significant tax savings:

- **Capital Gains Deferral:** If you invest a capital gain into a qualified fund, you can defer taxes on the gain until the earlier of the date you sell the fund investment or December 31, 2026.
- **Exclusion of Gains:** After holding your investment in the qualified fund for at least 10 years, any gains from the fund investment itself are potentially tax-free. This makes QOZs a long-term play that can yield tremendous benefits if managed wisely.
- **Step-Up in Basis:** For investments held for 5 and 7 years, there are step-ups in basis, meaning a reduction in the taxable amount of your deferred gains, which can significantly reduce your overall tax liability.

Why Act Within 180 Days of Capital Gains?

One of the key elements of the QOZ program is the time-sensitive nature of the investment. Investors who have realized capital gains—whether from the sale of stocks, or business interests—have a 180-day window to reinvest those gains into a QOZ. This gives investors a limited but critical opportunity to defer their tax liability and take advantage of the other incentives provided by QOZs.

With the **April 15 tax filing deadline** fast approaching, the urgency to act is clear—there are less than **30 days remaining** to ensure that your capital gains are reinvested in a Qualified Fund within the 180-day window. By acting quickly, clients can defer taxes on their capital gains and set themselves up for long-term growth, especially if they're looking to reinvest in projects that will appreciate over time. The 10-year hold period gives investors ample time to realize gains and enjoy significant tax savings.

Not for Everyone: Understanding the Risks and Requirements

While Qualified Opportunity Zones can be a fantastic opportunity, they are not suitable for every investor. Here are a few things to consider before diving into a QOZ investment:

- **Investment Horizon:** The typical investment horizon for QOZs is about 10 years. This means you need to be prepared to lock up your capital for a decade. It's a long-term commitment, and earlier liquidity can limit the tax saving benefits.
- **Risk Factors:** As with any investment, there are risks involved. The potential for economic revitalization in a distressed area is not guaranteed. As such, investors need to have a solid understanding of the specific project, market conditions, and the area in which they are investing.
- **Qualifying Investments:** Not all real estate or business ventures qualify. Working with financial advisors who have experience in QOZs, like Accretive Wealth, can ensure that you're investing in the right projects with growth potential.

Why Accretive Wealth Chooses QOZs for Our Clients

At Accretive Wealth, we strive to offer a diverse range of investment opportunities to help our clients build wealth and manage risk. We have strategically invested in Qualified Opportunity Zones through high-quality projects from reputable developers like Shopoff Realty and Capital Square, among others. These projects provide our clients with the opportunity to invest in real estate and businesses that have the potential for substantial long-term growth, while also benefiting from the significant tax advantages associated with QOZs. Our experience with these types of investments allows us to evaluate the best opportunities in the market and tailor strategies that align with each client's goals. Qualified Opportunity Zones present a unique and potentially lucrative opportunity for investors who are looking to reduce their tax liabilities, diversify their portfolios, and make a positive impact on economically distressed communities. While the investment horizon is long-term, the potential tax benefits make it worth considering—especially for those with recent capital gains to reinvest. If you are interested in learning more about how QOZs can benefit you or want to explore investment options within these zones, Accretive Wealth is here to help. With our expertise and experience in this area, we can guide you through the process and help you make informed decisions about your financial future.

Disclaimer: This blog post is intended for informational purposes only and does not constitute financial, tax, or legal advice. Always consult with a qualified advisor before making any investment decisions.