

# PUBLICATION

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## Year-End 2019 Asset Sales May Result in Increased Tax Savings Under the Qualified Opportunity Zone Program

September 19, 2019

**The Qualified Opportunity Zone Program enacted as part of the Tax Cuts and Jobs Act not only allows taxpayers to defer paying tax on capital gains arising from the sale of capital assets, but also to exclude from tax up to 15 percent of the deferred gains. However, the excludable portion of any deferred gain will be reduced to ten percent unless the corresponding sale of capital assets occurs, and the seller reinvests the capital gains in a qualified opportunity zone investment, before January 1, 2020.**

The seller of capital assets who defers tax on capital gains by reinvesting the capital gains in a qualifying opportunity zone investment must pay the deferred tax in the taxable year which includes the earlier of (i) the date on which the qualified opportunity zone investment is sold or exchanged or (ii) December 31, 2026. In addition to the deferral benefit, the seller may exclude from tax ten percent of the deferred gain if as of such date the seller has held the qualifying opportunity zone investment for five years. The seller may exclude from tax an additional five percent of the deferred gain if as of such date the seller has held the qualifying opportunity zone investment for seven years, for a total maximum exclusion of 15 percent.

As of January 1, 2020, less than seven years will remain before the end of calendar year 2026; therefore, it will not be possible for a seller of capital assets to have held its qualified opportunity zone investment for seven years and qualify for the additional five percent exclusion. The maximum available exclusion will be reduced to ten percent of the seller's deferred capital gains.