

Government shutdown delays final regulations for Opportunity Zone program

By [Ashley Portero](#) – Reporter, South Florida Business Journal
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A public hearing intended to clarify rules surrounding the Opportunity Zone investment program was indefinitely postponed by the U.S. Treasury Department last week as a result of the ongoing shutdown of the federal government.

Some South Florida investors may delay finalizing contracts for Opportunity Zone investments as a result, **said [Stevan Pardo](#)**, chair of construction, hotel and litigation groups at Miami law firm Pardo Jackson Gainsburg, PL.

"Some risk-adverse investors may not want to pull the trigger until they receive those federal guidelines," **Pardo said**.

The hearing had been scheduled for Jan. 10 at the IRS Building in Washington, D.C. The IRS and Treasury Department released preliminary guidelines for Opportunity Zone investors in October, but did not set a timeline for when they would be finalized.

A new hearing will be rescheduled once the government is open again, the IRS said in a statement. Until then, investor questions about the program will remain unanswered.

The real estate investment program, signed into law as part of the Tax Cuts and Jobs Act of 2017, [allows investors to postpone taxes](#) on profits from the sale of any asset until 2026, as long as those gains are reinvested into an Opportunity Zone Fund. The tax deferral benefits are intended to incentivize private investments in economically distressed communities, proponents say.

To qualify, those capital gains must be transferred into a fund within 180 days of receiving them, and 90 percent of the fund's assets must be invested into a qualified zone.

"Right now there are investors who have capital gains from the end of 2018 and they need to transfer those gains into a Opportunity Zone fund before June," **Pardo said**. "Some of them

might not feel comfortable doing that and closing on properties before they see what the final regulations say."

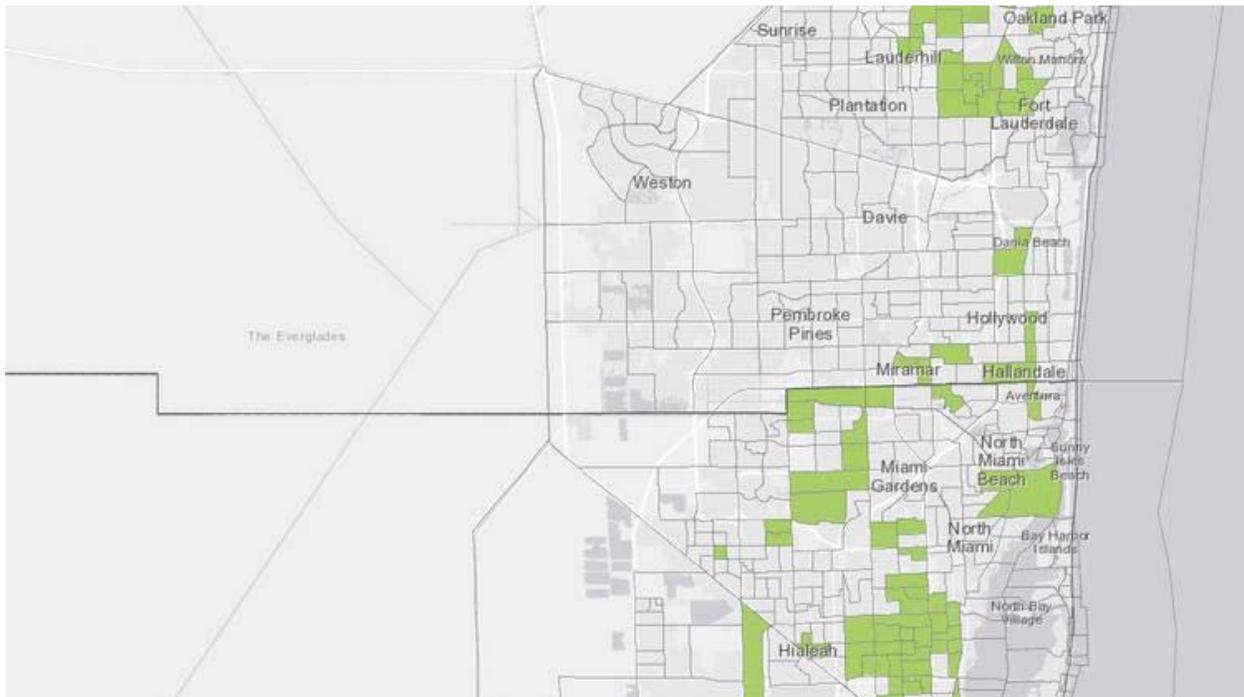
Nearly 150 comments were submitted to the IRS after it released its proposed regulations in October, Pardo said. Investors, he said, still have questions about the program's definition of "substantial improvement" and what that means in regards to properties they may purchase in an Opportunity Zone.

There are also questions about how the program's tax benefits could be applied. Under the proposed regulations, the capital gains tax deferral benefits, for example, are only open to investors who purchased properties in those areas after 2017.

As of now, land owners who purchased property in qualified areas before that time would need to sell a majority of their assets to an Opportunity Zone Fund, retaining a maximum 20 percent of the property's ownership, to eventually receive tax benefits from the program.

"No one is saying the Opportunity Zone program is dead," **Pardo said.** "But if we could get the final regulations before June 30 it would be extremely helpful. Investors want to ensure they have something in writing to fall back on."

More than 8,700 U.S. census tracts have been designated as Qualified Opportunity Zones since the real estate investment program was signed into law. Florida is home to 427 Opportunity Zones, including 68 in Miami-Dade, 30 in Broward and 35 in Palm Beach counties.



[Enlarge](#)

Miami-Dade Opportunity Zones include parts of Coconut Grove, Overtown, Lemon City and North Miami Beach.

https://www.bizjournals.com/southflorida/news/2019/01/16/govt-shutdown-delays-final-regs-for-opportunity-zn.html?iana=hpmvp_sflo_news_headline