

Title: Powerful Tax Incentives to Attract Equity Investments in Struggling Communities

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The Lane Report

Despite the fiscal challenges and competing policy priorities they face, governments at every level are uniquely positioned to attack all the invidious manifestations of poverty. Similarly, nonprofit organizations, through the programs they manage and the social enterprises they operate, are unrivaled in their capacity to drive positive social change. But traditional businesses and market-driven investors need to be more effectively engaged if marginalized communities are to be systematically lifted out of poverty.

Tucked within the new Tax Cuts and Jobs Act is a bipartisan, yet unheralded initiative to help revitalize neighborhoods and towns across the country that are starved for investment capital.

The Opportunity Zones program will draw private capital into low-income communities by tapping into the massive stockpile of unrealized capital gains wealth, totaling more than \$6 trillion by the Federal Reserve's reckoning. If an investor has incurred a capital gain within the last 180 days and reinvests that gain (not the entire proceeds, just the gain) in one or more "Qualified Opportunity Funds," the investor can defer the capital gains tax until the investor sells that investment in a Fund or until December 31, 2026, whichever is earlier. So the government is effectively subsidizing these investments.

What's more, an investor who holds an interest in a Fund for at least five years will recognize only 90 percent of the original gain. An investor who holds an interest in a Fund for at least seven years will recognize only 85 percent of the original gain. And an investor who holds an interest in a Fund for ten years or more can, by election, avoid paying any tax at all on the growth of his investment in the Fund.

The Funds, in turn, will invest in new and expanding businesses, infrastructure and energy projects, commercial real estate, affordable housing, and other needs-driven ventures that spur economic development and job creation in "Qualified Opportunity Zones," economically distressed communities recently nominated by state governors and certified by the Secretary of the Treasury.

With state and local leadership, the Opportunity Zone program promises to build thriving entrepreneurial ecosystems, fostering disruptive innovation and productivity where they're needed the most.

If your organization is interested in learning more about the financial and social returns a proprietary Qualified Opportunity Fund might deliver – or if you, individually or on behalf of your business, want to explore a possible investment in a Qualified Opportunity Fund, please call Marc Lane, in confidence, at 800-372-1040, or email him at mlane@marcjlane.com.



Marc Lane is an attorney, financial adviser and the author of Profitable Socially Responsible Investing? An Institutional Investor's Guide, published by Euromoney Institutional Investor PLC, and Representing Corporate Officers, Directors, Managers, and Trustees, published by Aspen Publishers, and The Mission-Driven Venture: Business Solutions to the World's Most Vexing Social Problems, published by John Wiley & Sons.

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