

Qualified Opportunity ZONES

OPPORTUNITY ZONES

Qualified Opportunity Zones were created to promote economic development in low-income areas by the **Tax Cuts and Jobs Act (TCJA)** which was passed and signed into law on December 22, 2017. This allowed each state and territorial Governor the opportunity to designate no more than twenty-five percent of low-income census tracts as **Qualified Opportunity Zones**.

On April 19, 2018, the Governor of Guam identified twenty-five (25) Qualified Opportunity Zones for Guam for both the Low Income Communities (LIC) and Non-LIC Contiguous tracts represented in the map attached. Further, the United States Department of Treasury certified these nominations for eligible census tracts. The TCJA serves as a critical tool to promote job creation and long-term investment for economically distressed communities, under certain conditions, to be eligible for preferential tax treatment.

Investments made in these Opportunity Zones allow for individual taxpayers who become self-certified through Qualified Opportunity Funds to claim tax benefits. These funds will be afforded a deferment in part or whole or an overall elimination of federal taxes on capital gains. The Qualified Opportunity Fund becomes the vehicle for potential partnerships in investment in eligible Opportunity Zones. Individuals can take advantage of these tax incentives by simply investing in a Qualified Opportunity Fund.

The United States IRS supports the Community Development Financial Institutions Fund (CDFI) providing guidance for benefits on Qualified Opportunity Zones under IRC 1400Z-2.

WHAT IS AN OPPORTUNITY ZONE?

An Opportunity Zone is an economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. Localities qualify as Opportunity Zones if they have been nominated for that designation by the state and that nomination has been certified by the Secretary of the U.S. Treasury via his delegation authority to the Internal Revenue Service.

HOW DO OPPORTUNITY ZONES SPUR ECONOMIC DEVELOPMENT?

Opportunity Zones are designed to spur economic development by providing tax benefits to investors. First, investors can defer tax on any prior gains until the earlier of the date on which an investment is sold or exchanged, or December 31, 2026, so long as the gain is reinvested in a Qualified Opportunity Fund. Second, if the investor holds the investment in the Opportunity Fund for at least ten years, the investor would be eligible for an increase in basis equal to the fair market value of the investment on the date that the investment is sold or exchanged.

WHAT IS A QUALIFIED OPPORTUNITY FUND?

Qualified Opportunity Fund is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in an Opportunity Zone and that utilizes the investor's gains from a prior investment for funding the Opportunity Fund.

FOR MORE INFORMATION

Please contact the Guam Economic Development Authority at 671-647-4332, www.investguam.com or visit the Community Development Financial Institutions Fund website www.cdfifund.gov for detailed information on the national program.

GUAM ECONOMIC OPPORTUNITY ZONES

