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Investments in Qualified Opportunity Funds: Newly Proposed Regulations Offer Significant Clarification

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The 2017 Tax Cuts and Jobs Act offers generous tax incentives for taxpayers investing in "qualified opportunity funds" ("**QOFs**")—entities that invest in businesses located within "qualified opportunity zones." The tax incentives are designed to encourage long-term investments in economically distressed communities. The U.S. Treasury has certified over 8,700 communities as qualified opportunity zones, spanning all 50 states, the District of Columbia, and five U.S. territories including Puerto Rico and the U.S. Virgin Islands.

On October 19, 2018, the Treasury Department and the Internal Revenue Service issued proposed regulations that address many of the significant questions arising under the new legislation, but important questions remain.

The attached memorandum first describes the potential tax benefits available for qualified opportunity zone investments and basic QOF structuring alternatives and then highlights key implications of the proposed regulations on real estate investments within qualified opportunity zones.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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