

Opportunity Zone Operating Businesses



Planning and Community Development
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Opportunity Zone Operating Business Social Benefits

Benefits include:

Job opportunity creation for low income families

Business tax generation mitigating the necessity for additional residential tax increases

Qualified Opportunity Zone Businesses (QOZB) stimulate industry clusters and business synergy

Supports the City Council goal for economic vitality

Qualified Opportunity Zone Business Tangible Property

QOZB tangible property (QOZBP):

Substantially all usage has to be in a Qualified Opportunity Zone (QOZ)

Proposed rule: Substantially is 70%

Qualified Opportunity Funds (QOF) must retain QOZBP for substantially all of the holding period

“Substantially all” is undefined

Treasury is seeking comment

Qualified Opportunity Zone Business Income

≥ 50% of the total gross income is
generated by the QOZB's activity

Title 26 IRS § 1397C (b) (2)

Qualified Opportunity Zone Business Intangible Property

A substantial portion of the intangible property must be used in the active conduct of the QOZB

Treasury is seeking comment to define
“substantially all”

Title 26 IRS § 1397C (b) (4)

Qualified Opportunity Zone Business Nonqualified Property

Nonqualified financial property cannot exceed 5% of all property

Nonqualified financial property is debt, stock, partnership interests, options, futures contracts, forward contracts, annuities, warrants, notional principal contracts, annuities and other similar property

Exceptions: reasonable amounts of working capital held in cash, cash equivalents, or debt instruments with a term of 18 months

“Reasonable amounts” undefined

Title 26 IRS § 1397C (b) (8) and (e)

Qualified Opportunity Zone Business Exclusions

Private golf course

Commercial golf course

Country club

Massage parlors

Hot tub facilities

Suntan facilities

Racetracks

Gambling facilities

Stores selling alcohol

Title 26 IRS § 144 (c) (6) (B)

Opportunity Zone Business Qualifications

The QOZB cannot be acquired before January 1, 2018

Investments must be cash transactions

Businesses must meet the sustainability criteria

Businesses can organize with the intent to be QOZBs

The QOZB must remain in the QOF for substantially all of the holding period

“Substantially all” is undefined

Treasury is seeking comment to define