

# OPPORTUNITY ZONES

Does your portfolio have gains that you would prefer to lock in, but you don't want to pay capital gains taxes?

Are you considering the sale of a business, real estate, or any other appreciated asset over the next few years?

Have you already realized a large number of capital gains in the past few months?

If the answer to any of these questions is yes, then you need to know about Opportunity Zones. An investment in an Opportunity Zone (or a Qualified Opportunity Fund) can allow you to defer and reduce taxes on your capital gains. Gains on the Opportunity Zone investment can even ultimately be tax free. GMAG is currently evaluating investment opportunities for our clients while the IRS regulations are being finalized. Additional details are provided below, and you can call us to discuss this further.

## What is an Opportunity Zone?

- Opportunity Zones are a new community development program established by Congress in the 2017 Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide.
- Opportunity Zone locations were selected by the Chief Executive of each state with final approval coming from the US Department of Treasury. [This link](#) provides an interactive map identifying the Opportunity Zones across the US.

## How do you invest?

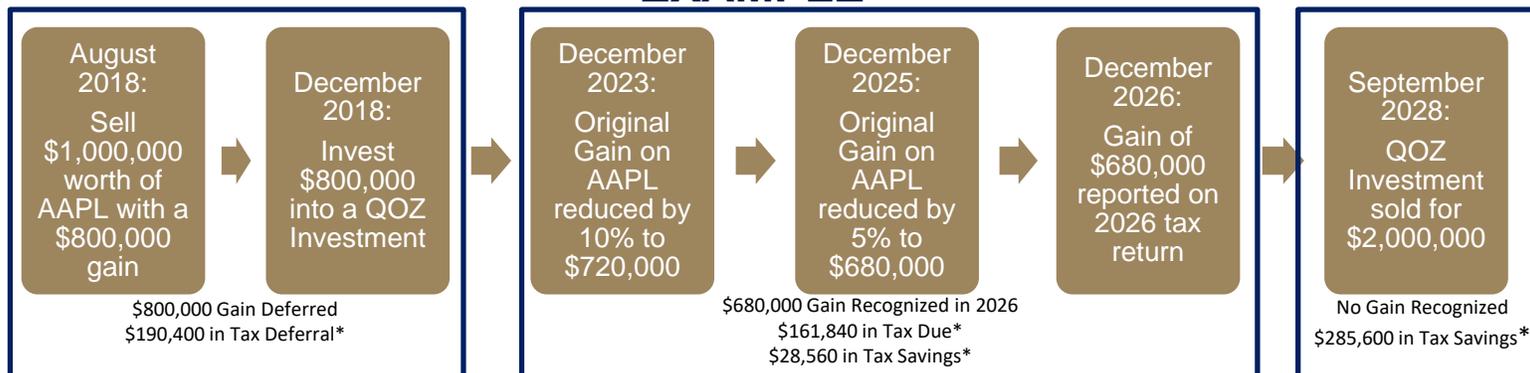
- Direct Investment**- You can directly invest in an Opportunity Zone by purchasing real estate or starting a business in a designated location.
- Qualified Opportunity Funds** – A Qualified Opportunity Fund can be created with the specific purpose of investing in Qualified Opportunity Zones. The requirements for Qualified Opportunity Funds are being finalized by the IRS.

## What are the tax benefits?

Qualified Opportunity Zones (QOZs) offer potential tax benefits to investors in three ways:

- Tax Deferral** – Investors may defer capital gains resulting from the sale of ANY type of property (e.g. real estate, stock, art, bitcoin, etc). Only the gain amount needs to be reinvested in order to defer the taxes, and must occur within 180 days from the sale.
  - Paying The Tax Toll:* Original gain (subject to reductions described below) must be recognized in the 2026 tax year. If the Opportunity Zone investment is sold before 2026, the original gain will be recognized in the year of the sale.
- Gain Reduction** – Investors that hold the opportunity zone investment for 5 years will have their original gain reduced by 10%. Investors holding the investment for 7 years will receive an additional 5% reduction in the original gain for a total gain reduction of 15%.
- Special Gain Exclusion** – Gains on the opportunity zone investment will be tax-free if the investment is held for 10 years.

## EXAMPLE



\*Based on 23.8% Federal Long-Term Capital Gains Rate

## Disclosure

GM Advisory Group, Inc. (“GMAG”) is a registered investment adviser that provides investment advice to clients on a discretionary and non-discretionary basis. A copy of our current written disclosure statement discussing our advisory services and fees is available for your review upon request.

GMAG does not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction. This publication is a resource of general information only. It is intended, but not promised or guaranteed, to be correct, complete, and up-to-date.

GMAG does not provide any express or implied guarantees that the information contained herein is accurate or complete. The commentary contains statements and statistics that have been obtained from current public information sources that GMAG considers reliable but we do not represent the accuracy or completeness of the information, and it should not be relied upon as such.

This material is not intended to be a source of financial advice and does not constitute a complete description of our investment services or performance. These opinions are subject to change at any time. GMAG disclaims any responsibility to update such views. These views may not be relied upon as investment advice. References to any specific securities do not constitute an offer to buy or sell securities.