

EVERYTHING YOU NEED TO KNOW ABOUT WEST DES MOINES' OPPORTUNITY ZONE

Q. WHAT IS AN OPPORTUNITY ZONE?

- A. 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 of authority to the Internal Revenue Service.

Q. How do Opportunity Zones spur economic development?

- A. Opportunity Zones are designed to spur economic development by providing tax benefits to investors. First, investors can defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF) until the earlier of the date on which the investment in a QOF is sold or exchanged, or December 31, 2026. If the QOF investment is held for longer than 5 years, there is a 10% exclusion of the deferred gain. If held for more than 7 years, the 10% becomes 15%. Second, if the investor holds the investment in the Opportunity Fund for at least ten years, the investor is eligible for an increase in basis of the QOF investment equal to its fair market value on the date that the QOF investment is sold or exchanged.

Q. What is a Qualified Opportunity Fund?

- A. A 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 a Qualified Opportunity Zone.

Q. How does a corporation or partnership become certified as a Qualified Opportunity Fund?

- A. To become a Qualified Opportunity Fund, an eligible corporation or partnership self-certifies by filing Form 8996, Qualified Opportunity Fund, with its federal income tax return. Early-release drafts of the form and instructions are posted, with final versions expected in December. The return with Form 8996 must be filed timely, taking extensions into account. A limited liability company that chooses to be treated either as a partnership or corporation for federal tax purposes can organize as a Qualified Opportunity Fund.

Q. Where is the West Des Moines Opportunity Zone located?

- A. The West Des Moines designated Opportunity Zone is located in the Historic Valley Junction area's eligible census tract. See the back of this handout for a map of the Opportunity Zone located in West Des Moines.

Q. Are there other incentive programs that can be utilized within the Opportunity Zone?

- A. There are several City incentive programs that can be utilized within the Opportunity Zone in West Des Moines. These programs include: the Property Improvement Fund, the Regulatory Compliance Fund, the Property Tax Rebate Program, and the Upper Story Housing Program. Visit <https://bit.ly/2EQk97l> for more information on these programs.

Source: www.irs.gov





Legend

-  Opportunity Zone
-  Corporate Limit