What Are Opportunity Zones?

Opportunity Zones can deliver significant tax savings on medium- to long-term investments in economically disadvantaged communities. This new tax incentive pertains to both the capital gains invested initially through a qualified opportunity fund (QOF), as well as future capital gains earned on the original investment in zone-based businesses or projects.

What are the Tax Advantages?

The private capital for projects or businesses in a qualified opportunity zone will arise primarily from the unrealized capital gains of U.S. taxpayers—that is, the increased value of assets (stocks, land, etc.) since they were originally purchased by the individual or corporation currently holding the asset. When an asset is sold and the gains realized, an income tax liability is normally generated.

With the opportunity zone incentive, the capital gains arising from sale to an unrelated person that are then transferred into a qualified opportunity fund within 180 days will have their tax liability delayed or deferred until December 31, 2026, at the latest. The taxpayer decides how much of his/her newly realized gains to invest, when to sell or exit that investment, or even whether to invest other moneys alongside (which would not receive these tax benefits).

In addition to deferring income taxes, by the time the investment of tax-deferred capital gains in the opportunity zone is sold or the end of 2026, whichever is earlier:

- The amount subject to taxes shrinks by 10% if the investment has been held for at least five years by 2026 (invested by 2021).
- The amount subject to taxes also shrinks to the fair market value of the investment if less than its original value.
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If the value of the investment of capital gains appreciates after having been held for at least 10 years in the QOF, then those new capital gains earned in the zone are themselves completely tax free. Otherwise, the net income or proceeds generated by a zone investment are taxable. This 10-year hold on the investment in the QOF must begin on or before December 31, 2026, and the investment or interest in the QOF must be disposed of or liquidated or the gains realized on or before December 31, 2047.

Multiple-Unit Limited Tax Exemption (MULTE)

A 10-year property tax exemption for multi-unit structural improvement

Electronic Commerce Overlay Zone

Several of Oregon's more than 70 enterprise zones have received special status to further encourage electronic commerce (or "e-commerce") investments. "Electronic commerce" is defined as engaging predominantly in transactions via the internet or an internet-based computer platform. These transactions can include taking orders, closing sales, making purchases, providing customer service or undertaking other activities that serve the business's overall purpose, even if retail in nature.

Local Property Tax Abatement

In an e-commerce enterprise zone, "being engaged in electronic commerce" is itself an eligible activity for the standard property tax abatement. Many such operations would be eligible anyways in any enterprise zone, for example, by satisfying criteria for an eligible administrative or call center. In a designated e-commerce area local retail is less restricted, and third-party vendors who facilitate the use of the internet by others for business transactions are also eligible.

Additional newly installed personal property—i.e., readily movable machinery and equipment—can also qualify. Usually, such property that costs between $1,000 and $50,000 per item qualifies only if used in the production of tangible goods, but in an e-commerce enterprise zone or city, using it for electronic commerce similarly allows for the exemption.

Qualified new investments also can comprise operations connected to the e-commerce activity, which include not only otherwise eligible activities such as shipping or storage facilities to fulfil orders arising from e-commerce, but it would also extend to administrative, technical, or other functions that are integral to the retail or commercial transactions that are conducted or supported through electronic commerce inside the designated area.

Added E-Zone Benefits to Companies: Electronic Commerce Overlay

Whereas the E-Zone provides a property tax exemption, the Electronic Commerce ("E-Commerce") program provides a tax credit to offset State of Oregon personal or corporate income/excise tax liabilities for companies making a qualified E-Commerce investment. Qualifying companies can receive both E-Zone property tax abatements and E-Commerce tax credits simultaneously, as long as they comply with the regular E-Zone program requirements.

A qualified E-Commerce investment includes material resources related to E-Commerce, such as facilities, computers, equipment, networks, servers or software pertaining to the E-Commerce related business-to-business transactions of the firm.