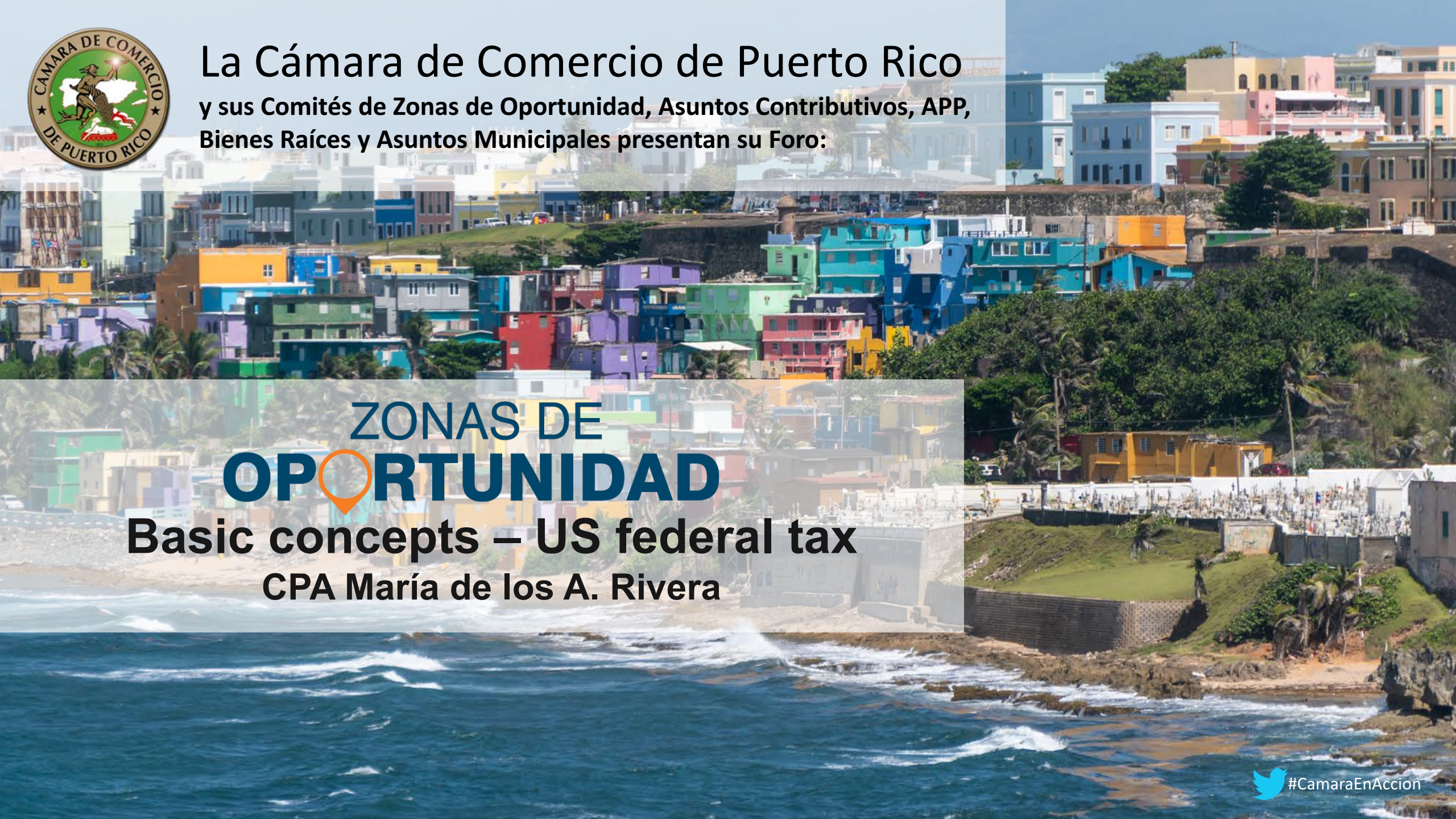


La Cámara de Comercio de Puerto Rico

y sus Comités de Zonas de Oportunidad, Asuntos Contributivos, APP, Bienes Raíces y Asuntos Municipales presentan su Foro:

ZONAS DE OPORTUNIDAD

Basic concepts – US federal tax

CPA María de los A. Rivera

#CamaraEnAccion

Zonas de Oportunidad

Adopted by the Tax Cuts and Jobs Act of 2017, to attract private investment into economically distressed areas.

A qualified opportunity zone (OZ) is a population census tract that is a low-income community designated as an OZ.

-Special Rule for Puerto Rico

Zonas de Oportunidad

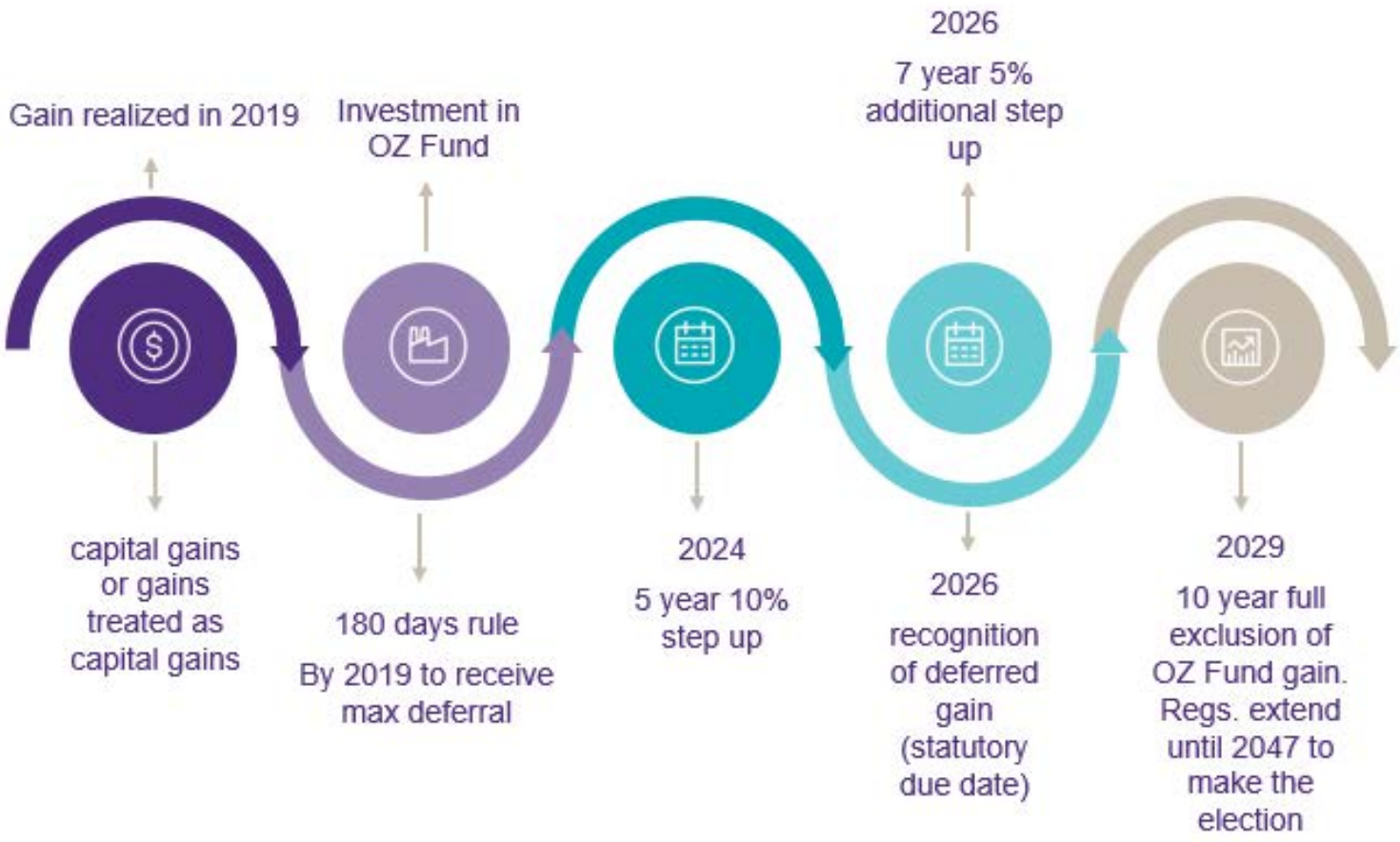
OZ designation: 10 years after the date of designation

Relevant sections of US Code
- §1400Z-1
- §1400Z-2
- 2 set of proposed regulations; expecting a third regulation

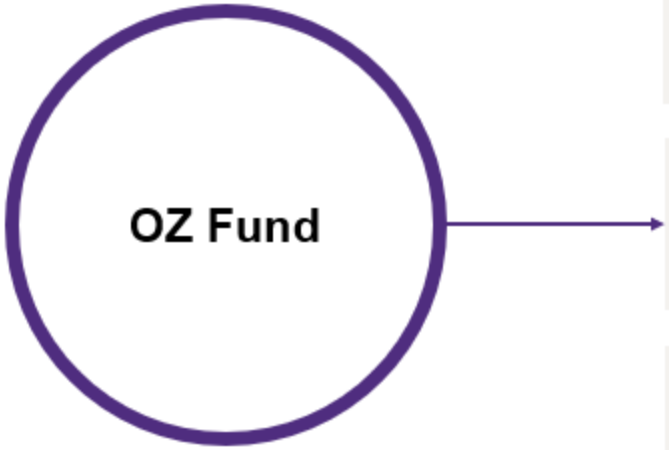
Nearly all of Puerto Rico is an OZ (~98%)

#CamaraEnAccion

How does it work?



OZ Fund

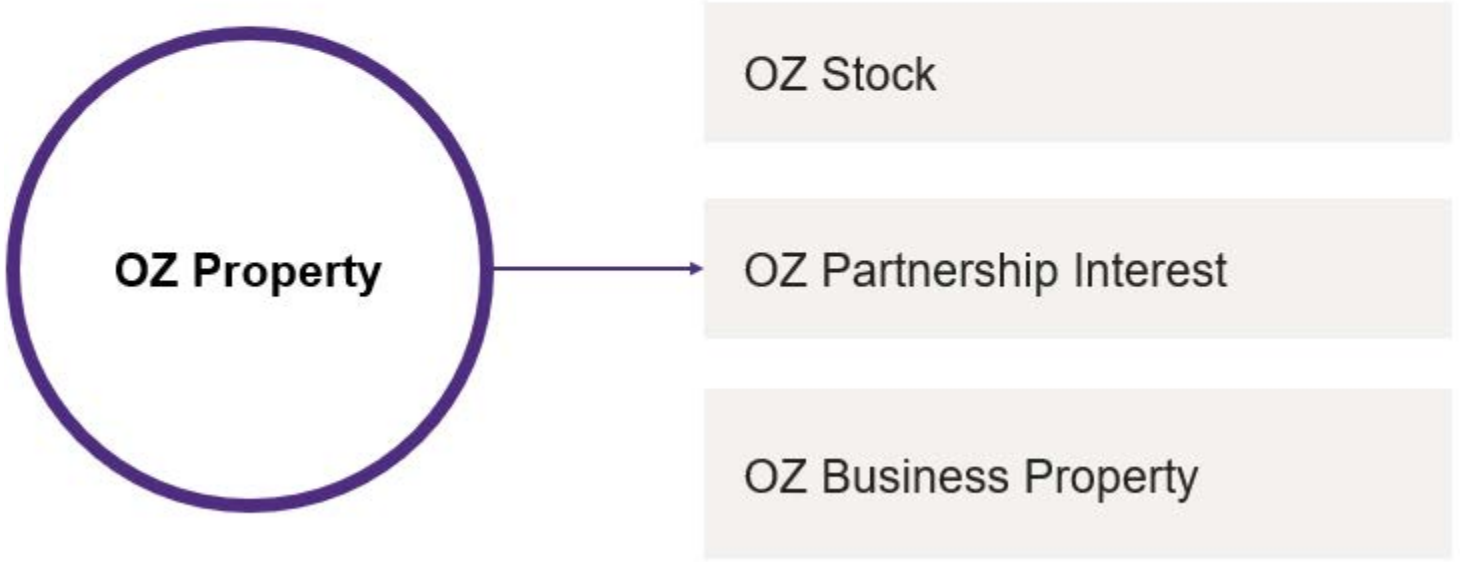


Domestic entities (Corporations or Partnerships), may be organized in a U.S. Possession (limitations apply)

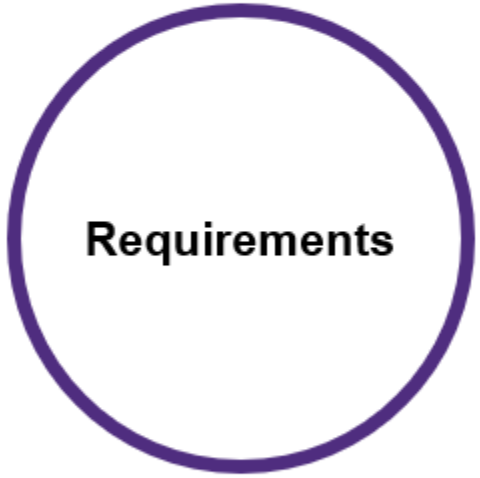
Holds at least 90% of its assets in an OZ Property

Meets the 90% test on the last day of the first 6 months of the tax year ***and*** on the last day of the tax year

OZ Property


OZ Property
OZ Stock
OZ Partnership Interest
OZ Business Property

OZ Business Property

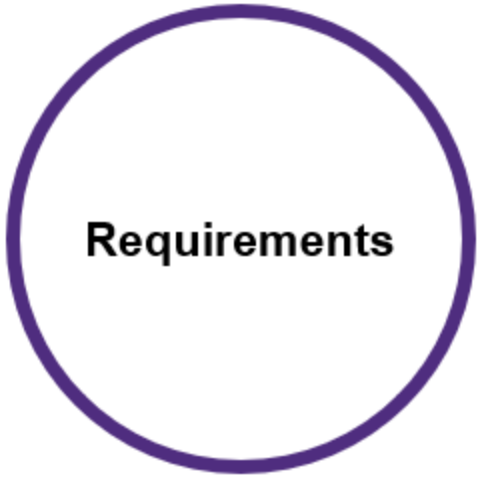


Definition – Tangible property used in the trade or business of the OZ Fund qualified as an OZ Business Property

Property ***purchased*** from an unrelated person after 12/31/2017

Property ***leased*** from an unrelated person after 12/31/2017, or from a related person at arm's length market rates

OZ Business Property



Original use of the property commences with the OZ Fund ***or*** when the OZ Fund substantially improves the property

During substantially all (90%) of the OZ Fund's holding period of the tangible property, substantially all (70%) of the use of the tangible property was in an OZ

OZ Business

Substantially all (70%) of the tangible property ***owned*** or ***leased*** by the trade or business is OZ Business Property

The trade or business satisfies 3 requirements

Not a “sin business”

OZ Business
Active Trade or Business

Gross Income Requirement

Use of Intangible Property Requirement

Nonqualified Financial Property Limitation

Zonas de Oportunidad

What developments are we seeing?

- **Type of assets**
  - Real estate construction and renovation
  - Venture capital type of investment
- **Type of funds**
  - One asset/single business
  - Multiple assets/various businesses

Zonas de Oportunidad

What developments are we seeing?

- Type of financing (capital stack)
  - Opportunity Zones Funds investment
  - Private investment
  - Banks' /SBA financing
  - LIHTC
  - Historic tax credits
  - Local incentive programs
  - Others

Zonas de Oportunidad

What developments are we seeing?

- Type of projects
  - Multi-family
  - Student housing
  - Institutional – healthcare, education, Tech incubators
  - Commercial office space
  - Industrial, manufacturing, logistics, tourism

Gracias

Síguenos en:

www.camarapr.org #CamaraEnAccion