

Tennessee Opportunity Zones



LBMC has assembled a multi-disciplinary team of experts to help you navigate the new federal Opportunity Zone program enacted as part of the Tax Cuts and Jobs Act of 2017. This new program promises to provide significant tax incentives for reinvesting capital gains in “Qualified Opportunity Funds” (QO Fund), which in turn make investments in low-income areas that have been designated as “Qualified Opportunity Zones” (QO Zone).

Who is this program for? Investors, developers, and owners, for example:

- A real estate developer seeking an additional source of capital for a project
- Real estate and business investors planning an upcoming equity investment
- Individuals holding stock or interest to be sold in 2018/2019 and seeking reinvestment opportunities
- Any person or entity with significant anticipated or unrealized capital gains in 2018 and 2019
- Private equity fund sponsors looking to increase return to their investors
- Business owners wanting to open new locations or expand operations

There are **176 census tracts in Tennessee** that are qualified opportunity zones. (Memphis: 32 tracts; Nashville: 18 tracts; Knoxville: 8 tracts; Chattanooga: 7 tracts)

Tax Incentive Breakdown

- Temporary tax deferral on reinvested capital gain.
- Elimination of a portion of the reinvested capital gain over term of investment.
 - 10% if invested for 5 years
 - 15% if invested for 7 years
- Permanent exclusion (100%) of gain on appreciation in excess of initial capital gain investment if held for 10 years.

QOZ Funds and Property Types

Any investment entity organized as either a partnership or corporation with the purpose of investing in “Qualified Opportunity Zone Property” (QOZ Property), with at least 90% of the QO Fund’s assets consisting of QOZ Property. QOZ property types include stock, partnership interest and business property.

QOZ Businesses

- Any trade or business in which all of the tangible property owned or leased by the taxpayer is QOZ Business Property.
- At least 50% of the total gross income must be from active conduct of such trade or business activity.
- Certain types of businesses not eligible; liquor stores, tanning salons, country clubs, golf courses, racetracks, etc.

Tennessee Opportunity Zone Forum

LBMC in conjunction with Frost Brown Todd LLC have gathered resources, written content, planned events, and are working to create a welcoming and reliable source of information so that stakeholders can become more informed and take advantage of these opportunities. The Tennessee Opportunity Zone Forum was formed to facilitate and encourage discussion around the Opportunity Zone designations in Tennessee.



Briana Mullenax, CPA/PFS
Shareholder, Tax
bmullenax@lbmc.com
T 615.309.2251

Jeff Talley, CPA
Shareholder, Tax
jtalley@lbmc.com
T 615.309.2286

Sid Pilson, CPA/PFS
Director, Tax
spilson@lbmc.com
T 615.309.2351

Blake Harrison, CPA/PFS
Senior Manager, Tax
bharrison@lbmc.com
T 615.309.2620