

Unlock a Loan with a Negative Interest Rate from Uncle Sam and Have Tax-Free Upside

Opportunity Zone Investing is the Key

By Carson B. Reihsen, Director of Legal Affairs, Coasis Coalition Companies PB LLC



March 21, 2019

The Opportunity Zone (OZ) program introduced multiple tax benefit incentives when capital gains of any character are invested in specially designated private equity investment funds called Qualified OZ Funds within 180 days after such gains are realized.

The first tax benefit that OZ investors will realize is the deferral of tax on their invested capital gains for as long as such gains are invested in the OZ Fund with a maximum deferral period of the earlier of 7 years or until December 31, 2026.

The second tax benefit that OZ investors can realize is the reduction of their tax on the invested capital gains by 10% if such gains remain invested and held in the OZ Fund for 5 years or 15% after 7 years. These reduced capital gains taxes have a limited time horizon of the OZ program as each reduction must be earned before December 31, 2026.

The effect is that in exchange for investing through the OZ system the federal government provides the investor a loan of up to 7 years of the tax that would have been due on the original capital gains and pays you, the Borrower, an interest rate of up to 15% - a negative interest rate.

The final tax benefit OZ investors can realize is the ability to sell their investment in the OZ Fund completely tax free after holding such investment for 10 years or more. Any OZ investor who invests in an OZ fund prior to January 1, 2027 is eligible to earn this tax-free upside. This tax forgiveness carries with it the most potential for capital growth out of any benefit of the OZ

program. It is the most powerful of the OZ benefits and applies whenever the investor invests all the way through 2026.

OZ investing can be much like 401(k) or IRA investing where the investor's capital grows and the growth comes out tax free, but without the constraints or taxation of those retirement programs upon exit.

While all the nuances of OZ investing may seem overwhelming, generally OZ investors can simply use their typical investment fund due diligence processes and rely on the OZ fund to ensure the necessary compliance with the details and technicalities of the OZ program. Also, the OZ ecosystem is rapidly being populated by lawyers, tax counsel, accountants and financial advisors like Coasis, who have become expert in the area. Soon the entire process will be well vetted and reliable as more and more investment finds its way into the OZ program.

Mr. Reihsen is a licensed Texas attorney and the Director of Legal Affairs for Coasis Coalition Companies PB LLC. Mr. Reihsen's legal background includes investment fund formation and compliance with state and federal securities laws, mergers and acquisitions, corporate structuring, and contract negotiation.

Coasis Coalition's mission is to engage the opportunity zone investment community and opportunity zone residents with support and services that advance their solutions and interests and the goals of the opportunity zone program. Coasis is the organizer of the Coasis Coalition Opportunity Zone SuperConference (<http://ozdfw.com>) held on a periodic basis, the first of which is in Dallas April 3-4.