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Highly Anticipated Qualified Opportunity Zone Proposed Treasury Regulations Released

On Wednesday, April 17, the United States Department of the Treasury released proposed regulations related to investment in Qualified Opportunity Zones and Qualified Opportunity Funds. The issuance of these highly anticipated regulations and related guidance will provide critical information to investors, Qualified Opportunity Funds, and project sponsors/operators involved in real estate, venture capital, operating business, and project finance in Qualified Opportunity Zones. Of particular importance in this release is guidance relating to the qualification criteria for operating businesses and venture capital. The release also provides further clarity in the qualification criteria for real estate development projects. Greenberg Traurig has broad experience working with clients in fund formation and investor utilization, along with sponsor, developer, and operator project qualification under this new tax incentive program.

Highlights of the proposed regulations include:

- Investor special elections for sales of assets when investment in QOF is longer than 10 years
- REIT asset transfers
- Treatment of debt-financed distributions
- “Operating Business” rules, including gross income test and intangibles test clarification
- “Original Use” clarification for tangible property

- Substantial improvement test among multiple assets
- Treatment of gain from interim sales of assets when an investment in a QOF is held fewer than 10 years
- “Active” trade or business requirement
- Transfers upon death
- Treatment of special allocations (carried interest)
- “Substantially all” test clarification
- Treatment of Leased Property (related and unrelated party lease treatment)
- Working Capital Safe Harbor 31 Month Treatment
- 90% Semi-Annual Testing for QOF proceeds raised in prior six months

We will be releasing a detailed analysis and offering webinars in the near future describing the impact of these new regulations.

Please find the link to the published proposed regulations [here](#).

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