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Federal Opportunity Zones

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CONTACT

Federal Opportunity Zones

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The Federal Qualified Opportunity Zone distinction was created by The Tax Cuts and Jobs Act to spur economic growth in low-income communities by allowing investors to defer federal taxes by taking capital gains from other investments and investing in these designated areas. The U.S. Department of the Treasury and the Internal Revenue Service (IRS) have now designated more than 8,700 Federal Opportunity Zones in 50 States, the District of Columbia, and five U.S. territories, including 260 census tracts in the State of Georgia.

A Federal Opportunity Zone is an economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. Localities qualify as Federal Opportunity Zones if they have been nominated for that designation by the state and that nomination has been certified by the Secretary of the U.S. Treasury via his delegation of authority to the Internal Revenue Service. Designated Federal Opportunity Zones may not be added or altered at this time.

A Federal Qualified Opportunity Fund is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in a Federal Opportunity Zone and that utilizes the investor's gains from a prior investment for funding the Federal Opportunity Fund.

The following incentives are offered to investors for putting their capital to work in these qualified opportunity zones:

1. Temporary, capital gain tax deferral:
 - The period of capital gain tax deferral ends upon 12/31/2026 or an earlier sale
2. A step-up in basis:
 - Investment held for 5 years – Basis increased by 10% of deferred gain (90% taxed)
 - Investment held for 7 years – basis increased by another 5% of deferred gain (85% taxed)
3. Forgiveness of additional gains
 - Investment held for 10 years – Basis equal to fair market value; forgiveness of gains on appreciation of investment of sale or exchange of Opportunity Fund investment. This exclusion only applies to gains accrued after an investment in an Opportunity Fund.

Treasury and the IRS plan to issue additional information on Federal Qualified Opportunity Funds to address the certification of Federal Opportunity Funds, which are required to have at least 90 percent of fund assets invested in Federal Opportunity Zones. The IRS has posted a list of [Frequently Asked Questions about Opportunity Zones](#) and is currently working on guidance on how the Federal Qualified Opportunity Zone benefit under IRC 1400Z-2 (including the certification of Federal Qualified Opportunity Funds and eligible investments in Federal Qualified Opportunity Zones) will be administered. IRS and Treasury are giving this guidance high priority for rapid issuance over the next few months.



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Documents



[Presentations \(https://dca.ga.gov/documents/20831\)](#)