



# FrankelZacharia<sup>LLC</sup>

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## A Financial and Tax Analysis of Investing in Opportunity Zones in 2022

The past couple of years have been rough. We've had the ups and downs of the COVID-19 pandemic, economic upheaval and any number of other crises to distract us from just how crazy life has become. But as many investors have learned over the past few years, Qualified Opportunity Zone (QOZ) investments provide a decent option. They provide primary tax benefits of deferring and reducing taxes, oftentimes to the point of paying no taxes whatsoever. Does that sound like a good option to consider? What does QOZ investment mean to your business finances?

### **Deferring Your Tax Liability for a Better Day**

Under the current regulations governing QOZ investments, you are able to defer your tax liability up until 2026. Though you don't want to end up in trouble by deferring all of your tax liability until that time and then coming up short, there's no reason you can't invest some of it in relatively safe areas of your business or outside your company so that the money you would have paid for taxes remains within your control. This allows you to benefit from the interest that the money can gain for several years before you have to pay the taxes. One option is to consider investing larger amounts into your capital accounts and assets so that your company yields a positive economic value sooner in the process.

### **Reducing Your Overall Tax Liability**

Prior to December 31, 2021, there was a step-up available in basis of 15% and 10%, which investors had been eligible for. Though that benefit is no longer available, you'll still be able to retain 92.4% of the possible tax benefit of these funds. This comes from the Pay Zero benefit, which we'll discuss in a minute. The real question is, what will you do to help manage this change in your business tax accounting? Can you find other programs that will deliver similar benefits? These types of options make it much easier to pay a minimal tax liability while retaining money that your business desperately needs during these trying economic times.

### **Enjoy the Pay Zero Tax Benefit**

What exactly is a Pay Zero tax benefit? Under the regulations governing the Qualified Opportunity Zones, QOZ investors who hold their investment for 10 years can then choose to exit the investment tax-free. This allows them to yield significant tax savings on their investment. During this time, you can use an accelerated depreciation schedule over that 10-year time period. Another option to consider is whether you can eliminate the gains you would see from a depreciation recapture using this benefit. Either of these options can help you receive significant benefits in addition to the Pay Zero benefit.

If you're wondering whether your business could benefit from Qualified Opportunity Zone Investment, you're not alone. A lot of business professionals are unsure about what investments to make at this unprecedented time of economic unrest. Fortunately, it's not a decision you need to make on your own. Our experienced tax, accounting and business professionals are ready to help you make a wise decision, whether it's in reference to QOZ investment, the Build Back Better proposals or any number of related issues we face today.

If you have any questions or would like additional information, please contact any of our professionals at Frankel Zacharia, LLC, 402.496.9100.