

YOUR TAX TEAM

1031 Exchange Compared to Qualified Opportunity Zone Fund

	1031 Exchange	Qualified Opportunity Zone Fund
Eligible Assets Sold	Real Estate Investment Properties (flip/inventory property not eligible)	Any assets sold that produce capital gains income
Eligible Assets for Re-Investment	Real Estate Investment Properties (flip/inventory property not eligible)	Real or personal property used in a trade or business Partnership Interest - Allowed Stock in Corporations - Allowed
Title & Taxpayer	Taxpayer on title of the sold property needs to be same taxpayer on title of the replacement property	The proceeds from the sale of a property is usually reinvested by the taxpayer who sold the property. If the property is sold by a partnership, reinvestment can be made by either the partnership or its partners
Geographic Limitations	Anywhere in the United States	Must be in a Qualified Opportunity Zone
Proceeds that must be invested to defer the gain	Entire proceeds from the sale	Only the capital gains portion of the proceeds from the sale must be re-invested
Custodial Requirement for Proceeds	Sales proceeds must remain with a Qualified Intermediary	No requirement for using a Qualified Intermediary
Identification Period/Requirement	Replacement property must be identified within 45 days of the sale	None
Closing Period for Replacement Property	Replacement property must be purchased within 180 days of the sale	Taxpayer has 180 days from gain recognition to contribute funds to the QOF. The QOF has up to an additional 180 days to invest in qualifying property
Substantial Improvement Requirement	None	The property must be "substantially improved". This means improving the property in an amount equal to the portion of the purchase price of the building over the next 30 months. This is not required if it is original use property.
Deferral of Gain	Taxes deferred until sale of replacement property (but could be further deferred in another 1031 exchange)	Taxes deferred until December 31, 2026, or sale of opportunity zone
Income Tax Basis Step -up for Holding Property 5 or 7 Years	None	Taxable capital gain reduced by 10% if interest held for at least 5 years; reduced by 15% if interest held at least 7 years
Post-Investment Gain Exclusion	Not available (but could be deferred in another 1031 exchange)	Permanent tax exclusion of appreciation of the investment in a QOF if the investment is held for 10 years or more