



OPPORTUNITY ZONES



In the U.S. Virgin Islands



Opportunity Zone Overview

- The 2017 Tax Cuts and Jobs Act included a new federal incentive – Opportunity Zones – to spur long-term investment in undercapitalized communities.
- Any corporation or individual with capital gains can qualify.
- The program includes three tax benefits for investing unrealized capital gains in Opportunity Zones:
 - **Temporary deferral of taxes on previously earned capital gains**
 - **Basis step-up of previously earned capital gains**
 - **Permanent exclusion of taxable income on new gains**

Temporary deferral of taxes on previously earned capital gains

Investors can place existing assets with accumulated capital gains into Opportunity Funds. Those existing capital gains are not taxed until the end of 2026 or when the investment is liquidated.

Basis step-up of previously earned capital gains

For capital gains placed in Opportunity Funds for at least 5 years, an investor's basis on the original investment increases by 10 percent. If the investment remains for at least 7 years, then the investor's basis on the original investment increases by 15 percent.

Permanent exclusion of taxable income on new gains

For investments held for at least 10 years, investors pay no taxes on any capital gains produced through their investment in Opportunity Funds.

Type of Investment

- Qualified Opportunity Funds can finance a broad variety of activities including commercial and industrial real estate, housing, infrastructure, and existing and start-up businesses.
- Opportunity Funds cannot invest in golf courses, country clubs, massage parlors, hot tub facilities, suntan facilities, racetracks, or other facilities used for gambling.

What is an Opportunity Zone?

- An Opportunity Zone is a community nominated by the state or territory and certified by the Treasury Department as qualifying for this program. There are approximately 8,700 Opportunity Zones nationwide. In the U.S. Virgin Islands 14 Opportunity Zones have been designated on St. Thomas (including Hassel Island and Water Island) and St. Croix.
- The Opportunity Fund must hold at least 90 percent of its assets in qualified Opportunity Zone property.

Opportunity Funds and Zones and the USVI

- The U.S. Virgin Islands has a number of incentive programs, including the Economic Development Program, the University of the Virgin Islands' Research and Technology Park Program, the Enterprise Zone Program, and the Sustainable Tourism through Arts-based Revenue Stream (STARS) Program. To the extent that the Opportunity Fund invests in a business that qualifies for one of these benefits, then the investor can get both the capital gains tax benefit and the benefits offered by the respective economic incentive program.
- Since the U.S. Virgin Islands utilizes the Internal Revenue Code of 1986, as amended, as its tax code, any incentives that exist under the Internal Revenue Code, such as the Historic Rehabilitation Tax Credit or the Investment Tax Credit, can also be used for a qualifying investment made by an Opportunity Fund.
- An Opportunity Fund set up in any of the fifty states can invest in the U.S. Virgin Islands, but an Opportunity Fund set up in the U.S. Virgin Islands can only invest in the U.S. Virgin Islands.