

Qualified Opportunity Zone Funds

MOOREINSIGHTS



Capital gains can sneak up on investors. A property sale closes, or a stock position that has been held for years finally gets sold. Suddenly, there is a large gain, and a significant portion of it may be owed in taxes. For many investors, the first instinct is to look for ways to preserve more of what they earn because it's not about what you make, but what you keep.

The Origin: 2017 Tax Cuts and Jobs Act

Qualified Opportunity Zone Funds were created as part of the Tax Cuts and Jobs Act of 2017. The idea behind the policy was pretty straightforward. Certain areas across the United States were designated as Opportunity Zones, generally lower-income communities that policymakers hoped would attract new capital investment. To encourage investors to put money into these areas, the legislation introduced a series of tax incentives tied to long-term investment through Qualified Opportunity Zone Funds.

What Is a Qualified Opportunity Zone Fund?

A Qualified Opportunity Zone Fund is an investment vehicle that directs capital into businesses or real estate projects located inside these designated zones. To qualify under the rules, the fund must keep at least 90% of its assets invested in Opportunity Zone property or operating businesses. Investors who realize a capital gain can roll that gain into a Qualified Opportunity Zone Fund within 180 days of the sale. This rollover can apply to gains from many sources. Real estate sales are a common example, but the same structure can work for gains from a business exit, stock positions, or other appreciated assets. The key is that the gain must be reinvested through a qualifying fund within the required time window.

The Key Tax Benefits

First, investors can put off paying capital gains taxes on the original gain until a later date or until the Opportunity Zone investment is sold. There may also be a lower taxable amount for that original gain, depending on how it is set up and when it happens. The new investment itself is the strongest motivation, though. If you keep your Opportunity Zone investment for a period of time, usually ten years or more, you may not have to pay capital gains taxes on any growth in value.

Because they have to be held so long to achieve the full benefit, Qualified Opportunity Zone Funds tend to attract investors who think long-term. These aren't usually quick-turn real estate deals or short-term trades. Instead, they are based on patient capital and development timelines that last for several years.

Who Should Consider QOZ Funds?

People who buy and sell real estate may put a property's gains in a QOZ fund after the sale closes. When business owners are getting ready to exit, they sometimes think about these funds as part of their planning. High-income earners should think about how these funds fit into their overall tax plan. Investors who think they will make a lot of money from selling a stock may also consider how to deploy gains into funds to get the best overall return.

Risks & Considerations

Most of the time, these investments are illiquid. The projects themselves often involve building or rebuilding in developing areas, which brings its own set of risks. Regulatory rules are long and sometimes hard to understand, and not all Qualified Opportunity Zone Funds are set up the same way. It is very important to do due diligence on the project and the management team.

What's Changing?

There are ongoing talks about possible changes to the law that could shift the timelines or incentives connected to Opportunity Zones. People who are thinking about this strategy should keep an eye on any changes in policy that could affect their plans in the future.

In my experience helping clients, Qualified Opportunity Zone Funds can work very well in some situations. They can make tax planning and long-term investment strategy work together in a big way. But they don't work for everyone at the same time. You should always think about your bigger financial goals and the risks involved before deciding to use them.

Planning ahead is important if you want to make money. The 180-day reinvestment window moves quickly, so it's important to look at your options early to keep them open. At Moore Invested, we're here to help you evaluate whether a Qualified Opportunity Zone strategy makes sense for your short-term tax needs and long-term financial goals.

Opportunity Zone Disclosures

- Opportunity Zones ("OZ") are speculative. OZs are newly formed entities with no operating history. There's no assurance of investment return, property appreciation, or profits. The ability to resell the fund's underlying assets is not guaranteed. Investing in OZ funds may involve higher risk than investing in other established real estate offerings.
- Long-term. OZ funds are illiquid and return of capital and realization of gains, if any, from an investment will generally occur only upon partial or complete disposition or refinancing of such investments.
- Limited secondary market. Although secondary markets may provide a liquidity option in limited circumstances, the amount you will receive is typically reduced.
- Difficult valuation assessment. The portfolio holdings in OZ funds may be difficult to value. As such, market prices for most of a fund's holdings will not be readily available.
- Default consequences. Meeting capital calls to provide pledged capital is a contractual obligation of each investor. Failure to meet this requirement in a

timely manner could have adverse consequences including forfeiture of your interest in the fund.

- **Leverage.** OZ funds may use leverage in connection with investments or participate in investments with highly leveraged structures. Leverage involves a high degree of risk and increases the exposure of the investments to factors such as rising interest rates, downturns in the economy, or deterioration in the condition of the assets underlying the investments.
- **Unregistered.** The regulatory protections of the Investment Company Act of 1940 are not available with unregistered securities.
- **Regulation.** It is possible, due to tax, regulatory, or investment decisions, that a fund, or its investors, are unable to realize any tax benefits. Evaluate the merits of the underlying investment and do not solely invest in an OZ fund for any potential tax advantage.

Learn about other important tax topics like [1031 Exchanges](#), [One Big Beautiful Bill Act](#) or [2026 IRA and Retirement Plan Contribution Limits](#) in the Moore Insights section of our website.

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