Opportunity Zone Funds

Skadden

The Tax Cuts and Jobs Act (TCJA) enacted in December 2017 created a new type of investment vehicle that provides significant tax incentives, including the deferral and elimination of capital gains taxes, to taxpayers who sell appreciated property and invest the proceeds in low-income communities designated as "opportunity zones" (OZ funds). Although originally set to expire at the end of 2026, the opportunity zone rules were made permanent, with certain modifications, by the One Big Beautiful Bill Act (OBBBA) enacted in 2025.

Despite its conceptual simplicity, the details of structuring an OZ fund and its investments can quickly become complicated due to various requirements and uncertainties in the legislation and subsequent regulatory guidance. While OZ funds offer powerful tax incentives, they require careful planning even in the most basic business environments.

Although OZ funds can accommodate a wide variety of businesses, the opportunity zone legislation is particularly well-suited for certain types of real estate development projects, certain infrastructure and energy projects, and certain types of technology and service businesses.

Skadden has a multidisciplinary team of attorneys who have closely followed the legislation and subsequent regulatory efforts and have helped numerous clients invest in opportunity zones under this regime.