

OHIO PROPOSES NON-REFUNDABLE INCOME TAX CREDIT FOR INVESTMENTS IN OHIO OPPORTUNITY ZONES

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ADAM L. GARN, JD, CPA, MT
ASSOCIATE

The Tax Cuts and Jobs Act of 2017 established Opportunity Zones as an incentive to spur investments in designated areas across all fifty states, the District of Columbia, and United States territories. An investment in a Qualified Opportunity Zone will allow, under certain circumstances, a deferral of capital gains until the date on which the investment is sold or exchanged or December 31, 2026. Recently, the Ohio General Assembly proposed House Bill 727 to authorize a non-refundable individual income tax credit for investments in an Ohio qualified opportunity fund.

What is a Qualified Opportunity Zone?

IRC § 1400Z-1 defines a Qualified Opportunity Zone as a population census tract that is a low-income community and designated as a qualified opportunity zone by the United States Treasury. In 2018, the United States Treasury approved the designation of opportunity zones across all fifty states, the District of Columbia, and United States territories. Ohio has 320 Opportunity Zones, which are located across the state and may be searched at the [Ohio Development Services](#)

[Agency website.](#)

What is a Qualified Opportunity Fund?

Qualified opportunity funds are any investment vehicles that are organized as a corporation or a partnership for purposes of investing in qualified opportunity zone property. The corporation or partnership must hold at least 90 percent of its assets in qualified opportunity zone property and this percentage is evaluated twice a year. Taxpayers self-certify that they meet the criteria of a qualified opportunity fund by filing a form with their timely filed federal tax return.

What benefits does the Internal Revenue Code provide for investments in Opportunity Zones?

A taxpayer may elect to defer a capital gain if the taxpayer invests in a qualified opportunity fund within 180 days of the date of a sale or exchange of the investment. A taxpayer may elect to invest the entire amount or only a portion of the capital gain in a qualified opportunity fund but is only able to defer the portion of the capital gain that is invested in a qualified opportunity fund. The capital gain will be deferred until the earlier of the date on which the investment is sold or exchanged or December 31, 2026. Lastly, there are significant basis adjustments for investments in qualified opportunity zone funds that are held for 5, 7, or 10 years.

What is Ohio's proposed Opportunity Zone credit?

House Bill 727 proposes a non-refundable individual income tax credit if an individual invests \$250,000 or more during a taxable year in an Ohio qualified opportunity fund. An Ohio qualified opportunity fund must hold one hundred percent of its assets in a qualified opportunity zone located in Ohio. An investor that makes a qualifying investment is entitled to a non-refundable credit equal to ten percent of the amount of the investment.

Next steps

While House Bill 727 is only proposed at this time, Zaino Hall & Farrin LLC will continue to monitor this bill to determine if it becomes law. As a reminder, the 132nd General Assembly ends December 31, 2018. If

House Bill 727 does not pass by December 31, 2018, it will have to be reintroduced in the next General Assembly.

If you have any questions on Opportunity Zones or Ohio's proposed Opportunity Zone credit, please contact [Adam Garn](#) or any of our [other tax professionals](#).

ZAINO HALL & FARRIN LLC

ATTORNEYS AT LAW

WWW.ZHFTAXLAW.COM

614-326-1120

855-770-1120 (toll-free)

RON AMSTUTZ

(non-attorney professional)
614-782-1545(Direct)
330-347-3533 (Mobile)
ronamstutz@zhfconsulting.com

STEVE AUSTRIA

(non-attorney professional)
614-349-4820 (Direct)
937-609-8355 (Mobile)
saustria@zhftaxlaw.com

ADAM L. GARN

614-349-4814 (Direct)
agarn@zhftaxlaw.com

RICHARD C. FARRIN

614-349-4811 (Direct)
614-634-3130 (Mobile)
rfarrin@zhftaxlaw.com

CHARLOTTE B. HICKCOX

(non-attorney professional)
614-349-4819 (Direct)
614-537-4339 (Mobile)
chickcox@zhftaxlaw.com

STEPHEN K. HALL

614-349-4812 (Direct)
614-284-1253 (Mobile)
shall@zhftaxlaw.com

PHILLIP L. LAWLESS

(non-attorney professional)
614-349-4821 (Direct)
614-565-6098 (Mobile)
plawless@zhftaxlaw.com

DEBORA D. MCGRAW

614-349-4813 (Direct)
614-595-5560 (Mobile)
dmcgraw@zhftaxlaw.com

BRAD W. TOMLINSON

(non-attorney professional)
614-349-4818 (Direct)
btomlinson@zhftaxlaw.com

JOHN R. TRIPPIER

(non-attorney professional)
614-349-4815 (Direct)
614-203-4173 (Mobile)
jtrippier@zhftaxlaw.com

JASON WALKER

(non-attorney professional)
614-349-4817 (Direct)
916-533-1626 (Mobile)
jwalker@zhftaxlaw.com

THOMAS M. ZAINO

614-349-4810 (Direct)
614-598-1596 (Mobile)
tzaino@zhftaxlaw.com