

## How the New Opportunity Zone Rules Create Long Term Tax Savings

The Opportunity Zone program just got a major upgrade. What started as a temporary tax incentive back in 2017 is now a permanent part of the tax code, and the new rules could mean fresh opportunities for investors and business owners alike.

Originally created in 2017, opportunity zones were designed to encourage investment in underserved communities. The program offered three big tax advantages. First is deferring capital gains if you reinvested them. The second was step ups and basis that reduced taxable gains over time, and lastly, if you held the investment for 10 years or more, you could exclude all post-investment appreciation from taxes. Now, under the One Big, Beautiful Bill Act, the program is permanent and it has been updated.

Here's what's new.

Deferral still exists: You can still defer capital gains, but only for up to five years from your investment date.

Step up in basis: For new investment, starting in 2027, you'll get a 10% step up after five years. The seven year, benefit is gone.

There was also a new element: rural zones - areas with fewer than 50,000 people offer a 30% step up after five years.

Tax free growth still possible: Hold your investment for 10 years, and appreciation is still tax free, however, it is now capped at 30 years.

There are also tighter eligibility standards for communities that want to qualify as opportunity zones, and qualified opportunity funds face stricter reporting rules with heavier penalties for non-compliance. That means stronger oversight moving forward. What does that mean for you? If you're a business owner or investor, this extension creates new opportunities to align your investment strategy with long-term community growth.

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But with new rules come new complexities, so be sure to work with your advisors to fully understand how these changes may impact your plans.

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