

What is a Qualified Opportunity Zone Business?

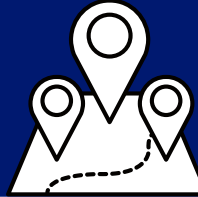
In order to be eligible to receive Opportunity Zone Fund investment, an entity must be a trade or business that qualifies as a Qualified Opportunity Zone Business (QOZB). IRS guidance is summarized below:

A business must be:

A PARTNERSHIP OR CORPORATION



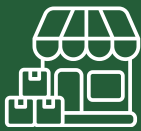
LOCATED IN A QUALIFIED OZ



And meet 5 requirements:

70% TANGIBLE PROPERTY

Exactly 70% or more of the tangible property owned or leased by the business must be Qualified Opportunity Zone Business Property (QOZBP), located in an Opportunity Zone (OZ).



50% GROSS INCOME

At least 50% of the gross income of the business must be derived from the active conduct of a QOZB in an OZ.



CALCULATION METHODS



HOURS
of work



COST
of services



BUSINESS
functions &
tangible
property

40% INTANGIBLE PROPERTY

At least 40% of the business's intangible property must be used in the active conduct of a qualified business in an Opportunity Zone.



5% FINANCIAL ASSETS

No more than 5% of the average of the aggregate unadjusted basis of the business's property must be attributable to nonqualified financial property.



NOT A SIN BUSINESS

A business may not be a specified type of business: massage parlors, hot tub or suntan facilities, racetracks or other gambling facilities, golf courses, country clubs, or liquor stores.



IRS Opportunity Zones FAQ



Colorado Opportunity Zone Program

What is a Qualified Opportunity Zone Fund?

A **Qualified Opportunity Zone Fund (QOF)** is a private investment vehicle organized as a corporation or partnership with the specific purpose of investing in Opportunity Zone businesses or properties.

- **Funding:** The investor needs an eligible capital gain from a sale to an unrelated party in order to invest.
- **Deploy Capital:** A QOF must invest at least 90% of its assets in qualified property or business property. It must be fully deployed within 6 months of the QOF's first tax year.
- **Substantial Improvement:** If a QOF invests in an existing business or property, it must "substantially improve" it within 30 months.

A **Qualified Rural Opportunity Fund (QROF)** is a Qualified Opportunity Fund that invests 90% or more of its assets in property located in rural opportunity zones, defined as areas with populations under 50,000 and not located in or adjacent to urbanized areas.

Key Investor Benefits in a QROF:

- 30% basis increase after 5 years
- 50% improvement threshold for properties

Rural designation applies to zones effective July 4, 2025, for the purposes of the 50% substantial improvement standard

Qualified Opportunity Zone Process:

Capital Gain: Investor has capital gain from a sale to an unrelated party

180-Day Re-investment: Investor places gains into QOF within 180 days and gets deferral on original capital gains

QOZB Investment: QOF invests in Qualified Opportunity Zone Business (QOZB)

QOZBP Investment: QOZB uses investment for business operations and purchase of tangible property (Qualified Opportunity Zone Business Property/ QOZBP)

Year 5:

- Capital gains tax on original capital gains due 5 years after QOF investment date
- Investors receive a step up in basis for QOF investments held for 5 years: 10% for standard QOF and 30% for rural QOF

Year 10+: When an OZ investment is sold after 10 years, the investor has no tax on gain from appreciation of QOF interest



IRS "Certify and Maintain a QOF"



Colorado Opportunity Zone Program