Gary R. Botwinick Quoted In NextAdvisor In Partnership With TIME Article, "A Qualified Opportunity Fund Isn’t for the Average Investor. Here Are Better Strategies To Consider"

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By: Mercedes Barba

What Is a Qualified Opportunity Fund?

A qualified opportunity fund is an investment strategy in which investors receive significant tax breaks on capital gains earned from selling stocks or other assets.

Qualified opportunity funds were created from the 2017 with the Tax Cuts and Jobs Act, which was enacted by former President Trump. Through it, investors use their capital gains to invest in “opportunity zones,” which are economically distressed geographical areas around the country. There are 8,700 designated opportunity zones across all 50 states and five U.S. territories. The act specifies that investors need to make “substantial improvement” to a property equal to the original value paid within 30 months in order to reap the benefits.

“If a property was purchased for a million dollars, then the opportunity fund has a 30-month window to make improvements worth at least a million dollars,” says Boneparth.

Certain businesses are excluded from the fund including golf courses, country clubs, massage parlors, hot tub facilities, and liquor stores, to name a few.

Some leaders and politicians in opportunity zones say they are disappointed with the program’s results. According to a 2019 article from the New York Times, Aaron T. Seybert, a social investment officer at a community-development group in Troy, Mich., who supported the opportunity-zone plan, said that 95% of it isn't doing any good for the community. "Capital is going to flow to the lowest-risk, highest-return environment," he told the Times.

Due in part to concerns about its effectiveness at driving development in disadvantaged areas, officials in the Biden administration have explored ways to significantly change the program, according to the Times.

Opportunity funds are created through real estate investors who make sure they're in good standing with the IRS. To become a qualified opportunity fund, a company must file IRS form 8996 each year to certify that it is organized to invest in qualified opportunity zones. Rather than creating an opportunity fund, individuals can invest in one and get the same tax benefits, says Gary Botwinick, a NJ-based tax attorney.

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