

Our Team is Your Resource

Established in 1999 with offices across the US, KBKG provides turn-key tax solutions to CPAs and businesses. By focusing exclusively on value-added tax services that complement your traditional tax and accounting team, we always deliver quantifiable benefits to clients.

Our firm provides access to our knowledge base and experienced industry leaders. We help determine which tax programs benefit clients and stay committed to handling each relationship with care and diligence. Our ability to work seamlessly with your team is the reason so many tax professionals and businesses across the nation trust KBKG.

Value Added Services



Research & Development Tax Credits

Federal credit worth approximately 10% of every qualified dollar spent on developing brand new or improving existing products, processes, software, and formulae.



Fixed Asset Review

While a cost segregation study focuses on buildings, a comprehensive Fixed Asset Tax Review encompasses all fixed assets a company owns including real property, machinery, furniture, fixtures, and equipment.



Cost Segregation for Buildings and Improvements

Any building improvement over \$750,000 should be reviewed for proper classification of the individual components for tax depreciation, and retirement purposes.



45L Credits for Energy Efficient Residential Developments

Newly constructed or renovated apartments, condos, and tract home developments that meet certain criteria are eligible for a \$2,000 credit per unit.



Repair vs. Capitalization Review §263(a)

Taxpayers often capitalize major building expenditures that should be expensed as repairs and maintenance such as HVAC units, roofs, plumbing, lighting and more. Retirement loss deductions for demolished building structural components are also identified.



179D Incentive for Energy Efficient Commercial Buildings

Federal deduction worth \$1.80 per square foot of energy-efficient buildings. Available to architects, engineers, design/build contractors and building owners.



IC-DISC

The Interest Charge Domestic International Sales Corporation (IC-DISC) offers significant Federal income tax savings for making or distributing US products for export.

INDUSTRY MATRIX FOR TAX SAVING OPPORTUNITIES *(updated 01-23-18)*

Industry	R&D Tax Credits	Repair/Asset Retirement	45L Tax Credits	179D Tax Deductions	Cost Segregation /Fixed Asset	IC-DISC	199 DPAD Deduction
Affordable Housing		X	X	X	X		
Agriculture, Forestry & Fishing	X				X	X	
Architecture & Engineering	X			X	X	X	X
Auto Dealerships		X		X	X		
Communications & Utilities	X	X		X	X		
Construction	X				X		X
Film & Music	X	X		X	X	X	X
Financial Services	X	X			X		
Government Contractors	X	X		X	X	X	
Healthcare	X	X		X	X		
Hotels	X	X		X	X		
Logistics & Distribution	X	X		X	X	X	X
Manufacturing	X	X		X	X	X	X
Mining	X				X	X	
Multifamily Developers		X	X	X	X		
Oil & Gas	X	X			X		
Pharmaceutical	X	X		X	X	X	X
Professional Services	X	X			X		
Real Estate		X			X		
Restaurants		X			X		
Retail	X	X		X	X		
Technology/Software	X	X		X	X	X	X
Transportation	X				X		
Wholesale Trade	X	X		X	X	X	

Call us today at **877-525-4462** to see how we can help you and your clients better understand these opportunities and secure these specialty tax incentives.

IDENTIFYING VALUE-ADDED TAX OPPORTUNITIES *updated 01-23-18*

KBKG Service	Description & Highlights	Applicable Clients & Industries	How Much is it Worth?	Tax Considerations
Research & Development Tax Credits (Federal & State)	<p>Federal and State tax credit – designed to promote innovation. Expenses incurred in the United States and that meet the qualification criteria can result in a credit.</p> <p>Qualifying expenses can include wages paid to employees, supplies used in the research process, and payments made to contractors for performing qualified research.</p>	<ul style="list-style-type: none"> • Manufacturing • Software Development • Architects • High Tech • Food & Beverage • Equipment or tools • Life Sciences • Agriculture • Clients developing brand new products, processes, software, or formula. • Clients materially improving existing products, processes, software or formula. • Clients that employ those with technical backgrounds (software development, engineering, etc..) 	<p>Federal Benefit - Roughly 10% of their total Qualified R&D Expenses</p> <p>Ex. Client has \$1M/year of wages related to R&D. Benefit = \$100k in gross credits per year.</p> <p>Many states also allow an R&D credit. For example, CA R&D Credit is worth an additional 7.5% of Qualified R&D expenses.</p>	<p>General Business Tax Credit</p> <ul style="list-style-type: none"> • Dollar-for-dollar reduction in income tax liabilities. • 1-year Carryback / 20-year carryforward of unused credits. • Qualified small businesses can reduce alternative minimum tax liabilities. • Qualified start-up companies can offset up to \$250,000 in payroll taxes.
Cost Segregation (Federal & State)	<p>Allows taxpayers who have constructed, purchased, expanded, or remodeled any kind of real estate to accelerate depreciation deductions by reclassifying building components into shorter tax lives.</p>	<p>Any building with over \$750k of depreciable tax basis (excluding land).</p> <p>Any leasehold improvement with over \$500k of depreciable tax basis (excluding land).</p> <p>Any smaller residential rental property with over \$150k of depreciable tax basis (excluding land) can utilize KBKG's online software to generate a cost segregation report.</p>	<p>Net Present Value is roughly 5% of the total building cost.</p> <p>Ex. \$2M office can yield an after-tax NPV of \$100k.</p>	<ul style="list-style-type: none"> • Reduces AMT • Starting in 2018, unused deductions carryforward. • Must recapture personal property and bonus eligible assets upon the sale of a building.
Repair v. Capitalization Review "Asset Retirement Study" (Federal)	<p>New rules allow you to assign value to "structural" components removed from a building and write off the remaining basis! Regs also clarify repair expense treatment of many types of building costs such as HVAC or roof replacements.</p> <p>KBKG also provides compliance consulting for repair and disposition regulations.</p>	<p>Any building renovation costs > \$400k</p> <p>Retirement Study - Building is renovated AFTER owning it at least 1 year. Building should have >\$500K of remaining depreciable basis left.</p> <p>Repair Study - renovations that include roof, HVAC, windows, lighting, plumbing, ceilings, drywall, flooring, etc.</p>	<p>Additional Year 1 deductions of 15%-40% of renovation costs (on top of benefits from 1245 reclassification)</p> <p>Ex. Client spends \$3M on structural renovations. Additional Year 1 deductions of \$450K-\$1.2M.</p>	<p>Depending on project specifics, may require a separate 3115 if doing concurrently with a depreciation change.</p>

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IDENTIFYING VALUE-ADDED TAX OPPORTUNITIES (CONT.) *updated 01-23-18*

KBKG Service	Description & Highlights	Applicable Clients & Industries	How Much is it Worth?	Tax Considerations
Fixed Asset Tax Review (Federal)	Comprehensive review of company's entire Fixed Asset listing & supporting documents to assign appropriate tax lives, identify retirements, and correct items that should be expensed. Includes Cost Segregation & Repair analysis.	Operations with > \$40M in real property or > 500 lines of fixed assets. <ul style="list-style-type: none"> Retail, Restaurant, Bank and Hotel Chains of 10 or more Manufacturing Utility Companies 	Net Present Value of 5-8% of total building-related costs. Ex. Manufacturing client has \$60M of 39-year fixed assets. NPV Cash value = \$3M - \$4.8M	<ul style="list-style-type: none"> Reduces AMT Starting in 2018, unused deductions carryforward. Must recapture personal property and bonus eligible assets upon the sale of a building.
Residential Energy Credits / Section 45L (Federal / States can have similar programs)	Federal credit for developers of Apartments, Condos, or Spec Homes that meet certain energy efficiency standards. Units must be certified by a qualified professional to be eligible.	Anyone that has built Apartments, Condos, or Production Home Developments in the last 4 years. Generally, more than 20 units.	Federal Credit = \$2,000 per apartment/home unit. Many states have similar credits. Ex. 100-unit apartment/condo can get \$200,000 of Federal Tax Credits.	General Business Tax Credit <ul style="list-style-type: none"> Credit is realized when unit is first leased or sold, not placed in service. 1-year Carryback 20-year carryforward. Does not reduce AMT. Subject to passive activity loss rules Credit reduces basis.
Commercial Energy Deductions / Section 179D (Federal/ States can have similar programs)	Federal deduction for Architects, Engineers, and Design/Build Contractors that work on Public or Government Buildings such as Schools, Libraries, Courthouses, Military Housing etc. Also available to any commercial building owner.	<ul style="list-style-type: none"> 179D for Designers: Architects, General Contractors, Engineers, Electrical & HVAC Subcontractors. Any Building Owner or Lessee: That has constructed a commercial improvement greater than 40,000 SF since 1/1/2006. 	\$.30 up to \$1.80 per square foot in Federal Tax Deductions. Ex. 100,000SF building is eligible for \$180,000 in deductions.	<ul style="list-style-type: none"> Reduces AMT Deduction reduces basis in real property. <p>Designers must amend open tax years to claim</p> <p>Owners: Can go back to 2006 with Form 3115 to claim missed deductions.</p>
CA Competes Credit (State)	California income tax credits designed to stimulate growth throughout the state.	CA Competes Credit: Growing business clients who anticipate hiring additional employees, constructing new buildings, or investing in new equipment.	Must apply for credits. Up to \$37,000 per eligible employee , over a 5-year period. Generally, 15-35% of employees qualify. Equipment - Credit is equal to Sales Tax paid.	<ul style="list-style-type: none"> Credits will reduce taxes on owners W2 wages and personal return. Credits flow through to owners. Credits will offset tax at the S-Corp level.
IC-DISC Federal Income Tax Incentive (Federal)	The IC-DISC provides significant and permanent tax savings for producers and distributors of U.S.-made products and certain services used abroad.	Any closely held, privately owned business with over \$250,000 in profits from exports <ul style="list-style-type: none"> Manufacturers Distributors Architects & Engineers Agriculture and Food Producers Software Developers Other Producers 	Minimum permanent 17% decrease in tax rate on half of export profits . Benefits can be dramatically higher by performing a transaction-by-transaction analysis.	<ul style="list-style-type: none"> Requires annual filing 1120 IC-DISC. No changes to business operations. Benefits begin when entity is formed.

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Qualified Improvements - Depreciation Quick Reference (updated 5/10/2019)

	Applicable PIS Dates (inclusive)	MACRS GDS Recovery Period	Bonus Dep Eligible	3 Year Rule	Unrelated Parties Rule	179 Expense Eligible	Important Notes	Code Section
Qualified Improvement Property (QIP): 2018 onward	1/1/18 onward	39 ⁹ Year / SL	N ⁹	N	N	Y ¹⁰	Applies to interior common areas. Building can be owner occupied. No 3-year rule. See exclusions in definition.	168(e)(6)
Qualified Improvement Property (QIP): 2016 - 2017	1/1/16 - 12/31/17	39 ⁵ Year / SL	Y	N	N	N ⁷	Applies to interior common areas. Building can be owner occupied. No 3-year rule. See exclusions in definition.	168(k)(3)
Qualified Leasehold Improvements (QLI): 2004 - 2017	10/23/04 - 12/31/17	15 Year / SL	Y ¹	Y	Y	2010 - 2017 ⁶	Landlord or lessee can make the interior improvement. See exclusions in definition.	168(e)(6)
Qualified Leasehold Improvements (QLI): 2001 - 2004 Partial	9/11/01 - 10/22/04	39 Year / SL	Y	Y	Y	N/A	39 year QLI qualifies for Bonus. Landlord or lessee can make the interior improvement. See exclusions in definition.	168(e)(6)
Qualified Retail Improvement Property: 2016 - 2017	1/1/16 - 12/31/17	15 Year / SL	Y	Y	N	2010 - 2017 ⁶	Building can be owner occupied. See exclusions in definition.	168(e)(8)
Qualified Retail Improvement Property: 2009-2015	1/1/09 - 12/31/15	15 Year / SL	N ²	Y	N	2010 - 2017 ⁶	Building can be owner occupied. See exclusions in definition.	168(e)(8)
Qualified Restaurant Property: 2009 - 2017	1/1/09 - 12/31/17	15 Year / SL	N ⁴	N	N	2010 - 2017 ⁶	Encompasses the entire building structure as well as interior costs. Can be an acquired building.	168(e)(7)
Qualified Restaurant Property: 2008	1/1/08 - 12/31/08	15 Year / SL	Y	Y	N	N/A	Applicable to all improvements attached to building.	168(e)(7)
Qualified Restaurant Property: 2004-2007	10/23/04 - 12/31/07	15 Year / SL	N ³	Y	N	N/A	Applicable to all improvements attached to building.	168(e)(7)

Bonus Depreciation Rates (inclusive dates)

9/11/01 - 5/5/03 ⁸	30%
5/6/03 - 12/31/04 & 1/1/08 - 9/8/10 ⁸	50%
9/9/10 - 12/31/11 ⁸	100%
1/1/12 - 9/27/17 ⁸	50%
9/28/17 - 12/31/22 ^{8, 11, 12}	100%
1/1/23 - 12/31/23 ^{8, 11, 12}	80%
1/1/24 - 12/31/24 ^{8, 11, 12}	60%
1/1/25 - 12/31/25 ^{8, 11, 12}	40%
1/1/26 - 12/31/26 ^{8, 11, 12}	20%

Footnotes:

- NOT eligible for bonus if placed in service 1/1/2005 - 12/31/2007.
- Retail Improvements are not eligible for bonus depreciation unless it meets the criteria for QLI.
- Qualified Restaurant Property is eligible for bonus depreciation if placed in service 10/23/2004 - 12/31/2004.
- Improvements that also meet the criteria for QLI are eligible for bonus depreciation. After 2015, improvements that also meet the criteria for QIP are eligible for bonus depreciation. Restaurant property that is acquired 9/28/2017-12/31/2017 is fully expensed (subject to written binding contract rules).
- Improvements that meet the definition of Qualified Improvement Property and meet the definition of QLI, Qualified Retail Improvements, or Qualified Restaurant Property can be depreciated over a 15-year straight line period.
- Eligible up to \$250k from 2010 - 2015; 2016 and 2017 are subject to normal 179 expense cap.
- Improvements that meet the definition of Qualified Improvement Property and meet the definition of QLI, Qualified Retail Improvements, or Qualified Restaurant Property qualify for the 179 Expense.
- Long Production Period (QLIs over \$1M and construction period exceeds 1 year) - can be placed in service one year after bonus normally expires. QLI (that is also LPP) started before 1/1/2012 can be entirely eligible for 100% bonus if completed during 2012. Bonus is applicable if LPP is started before 1/1/2027. Only pre-1/1/2027 basis is bonus eligible on any LPP.
- Legislative committee reports indicate QIP will be 15-year property and bonus eligible. However, the actual law enacted does not reflect the legislative intent. Technical corrections to the law are expected, although the IRS has denied any guarantees of this presumed change in recovery period.
- Section 179 rules are modified to include certain improvements to buildings. See 179 Expense notes on page 2.
- Bonus depreciation is available for used property placed in service after 9/27/17, however it does not apply to the portion where the taxpayer previously had a depreciable interest.
- Bonus is not available to taxpayers with floor plan financing (motor vehicle, boat, farm machinery) unless they are exempt from business interest limitations.

Section 179 Expense Limitations (Dates, Dollar Limit, Reduction)

01/01/11 - 12/31/17	\$500,000	\$2,000,000
1/1/18 onward ¹	\$1,000,000 ²	\$2,500,000 ²

Footnotes:

1) In 2018 onward, the Section 179 expense includes improvements to the following non-residential real property that are placed in service after the date such property was first placed in service: roofs; heating, ventilation, and air-conditioning; fire protection and alarm systems; and security systems. 179 expensing does not apply to certain non-corporate lessors. See Sec. 179(d)(5)

Qualified Section 179 property now includes depreciable tangible personal property used to furnish lodging (e.g. residential rental properties, hotels, etc).

2) Any taxable year beginning after 2018, the dollar amounts will be indexed for inflation.

Definitions:

3 Year Rule: The improvements must have been placed in service by any taxpayer more than three years after the date the building was first placed into service.

Leased Between Unrelated Party Qualification: Improvements must be made subject to a lease between unrelated parties (see code section 1504). Can be made by lessees, sub-lessees or lessors to an interior portion of a nonresidential building. Parties are related when there is more than 80% ownership shared between them.

Long Production Period Property: 168(k)(2)(B) - Must have a recovery period of at least 10 years, is subject to section 263A, has an estimated production period exceeding 2 years, or an estimated production period exceeding 1 year and a cost exceeding \$1,000,000.

Qualified leasehold improvement property (QLI)^A 2001-2017 (A) Any improvement to an interior portion of a building which is nonresidential real property if— (i) such improvement is made under or pursuant to a lease (I) by the lessee (or any sublessee) of such portion, or (II) by the lessor of such portion, (ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and (iii) such improvement is placed in service more than 3 years after the date the building was first placed in service. (B) Certain improvements not included. Such term shall not include any improvement for which the expenditure is attributable to— (i) the enlargement of the building, (ii) any elevator or escalator, (iii) any structural component benefiting a common area, and (iv) the internal structural framework of the building.

Qualified retail improvement property^A 2009-2017: Any improvement to an interior portion of a building which is nonresidential real property if— (i) such portion is open to the general public and is used in the retail trade or business of selling tangible personal property to the general public, and (ii) such improvement is placed in service more than 3 years after the date the building was first placed in service. QRIP shall not include any improvement for which the expenditure is attributable to— (i) the enlargement of the building, (ii) any elevator or escalator, (iii) any structural component benefitting a common area, or (iv) the internal structural framework of the building.

Qualified restaurant property^B 2004-2008: an improvement to a building if— (A) Such improvement is placed in service more than 3 years after the date such building was first placed in service, and (B) more than 50 percent of the building's square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals.

Qualified restaurant property^B 2009-2017 Any section 1250 property which is (i) a building or improvement to a building — if more than 50 percent of the building's square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals, and (ii) if such building is placed in service after December 31, 2008

Qualified improvement property^A (QIP) 2016-onward: (A) Any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date the building was first placed in service. (B) Certain improvements not included. Such term shall not include any improvement for which the expenditure is attributable to— (i) the enlargement of the building, (ii) any elevator or escalator, (iii) the internal structural framework of the building.

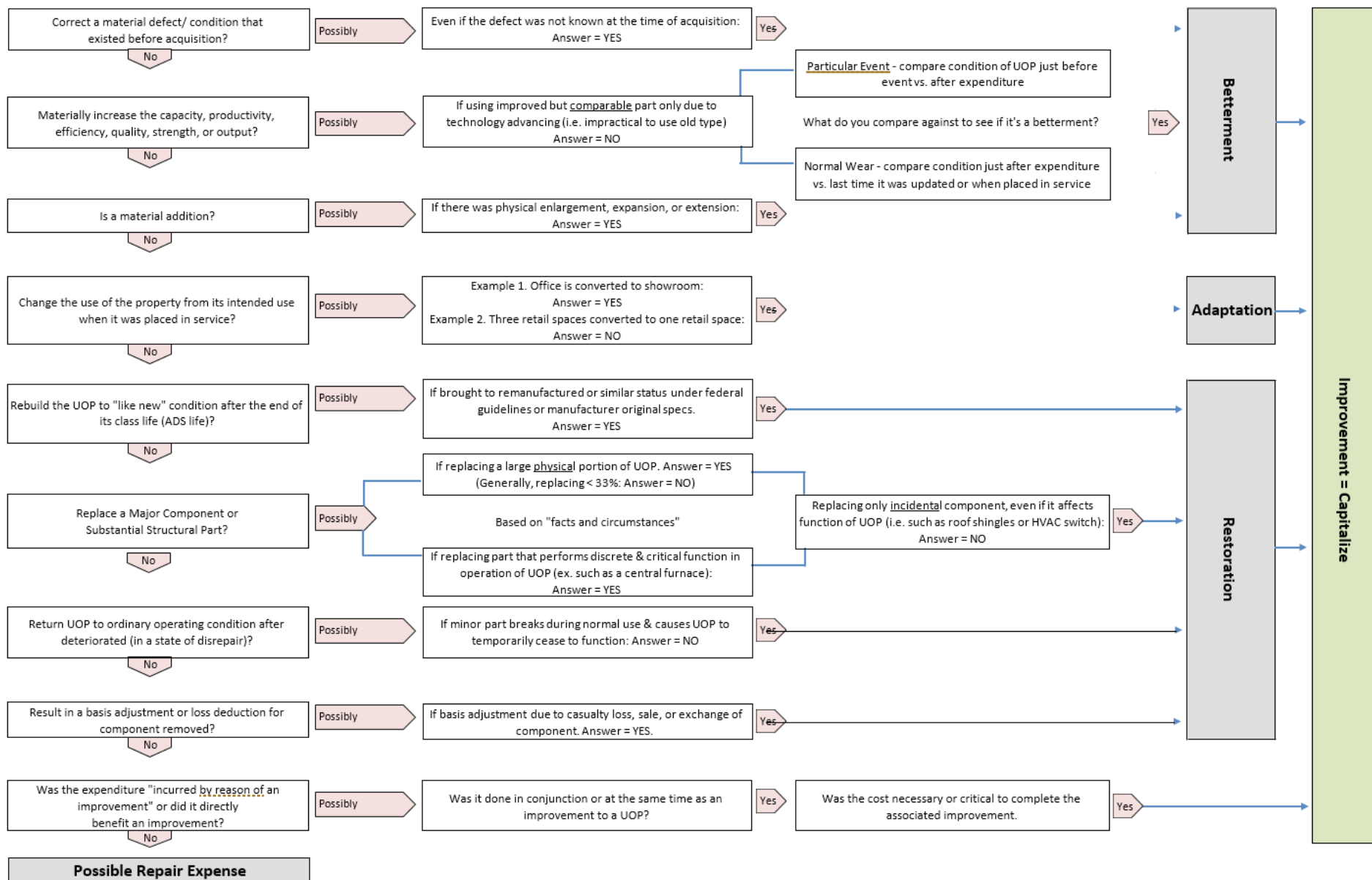
Other notes:

A) Tenant improvements that include costs for HVAC rooftop units are excluded from the definition of Qualified Leasehold Improvements (QLI), Qualified Retail Improvements, and Qualified Improvement Property (CCA 201310028)

B) Restaurant tenant improvements located within a multi-tenant building where 50 percent of the building's total square footage is not leased to restaurants, do not meet the definition of Qualified Restaurant Property.

KBKG Repair vs. Capitalization: Improvement Decision Tree - Final Regulations

Considering the appropriate Unit of Property (UOP), does the expenditure (Last Updated 03-20-2015):



KBKG Building Unit of Property & Major Components Chart *updated 05-16-17*

This chart was created to help users identify building systems & typical "major components" in real estate assets. Replacing a major component is a capital expenditure while replacing an incidental component can be expensed

Real Estate Major Component (examples)	Building Structure	Land Improvements	HVAC System	Electrical System	Plumbing Systems	Fire Protection System	Security System	Gas Distribution System	Escalators	Elevators
	<ul style="list-style-type: none"> Roof System (membrane, insulation & structural supports) Foundation Other structural Load Bearing Elements, including stairs Exterior Wall System Ceilings Floors Doors Windows Partitions Loading Docks 	<ul style="list-style-type: none"> Landscaping including shrubs, trees, ground cover, lawn, irrigation Storm drainage including inlets, catch basins, piping, lift stations Site lighting (pole lights, bollard lights, up lights, wiring) Hardscape (retaining walls, pools, water features) Site Structures (gazebo, carport, monument sign) Paving (roads, driveway, parking areas, sidewalks, curbing) 	<ul style="list-style-type: none"> Heating System (boilers, furnace, radiators) Cooling System (compressors, chillers, cooling towers) Rooftop Packaged Units Air Distribution (Ducts, fans, etc) Piping (heated, chilled, condensate water) 	<ul style="list-style-type: none"> Service & Distribution (panel boards, transformers, switchgear, metering) Lighting (interior & exterior building mounted) Site Electrical Utilities Branch Wiring (outlets, conduit, wire, devices etc.) Emergency Power Systems 	<ul style="list-style-type: none"> Plumbing Fixtures (sinks, toilets, tubs etc.) Wastewater System (drains, waste & vent piping) Domestic Water (supply piping and fittings) Water Heater Site Piping Utilities 	<ul style="list-style-type: none"> Sprinkler System (piping, heads, pumps) Fire Alarms (detection & warning devices, controls) Exit lighting & signage Fire Escapes Extinguishers & hoses 	<ul style="list-style-type: none"> Building security alarms (detectors, sirens, wiring) Building access & control system 	<ul style="list-style-type: none"> Gas piping including to/ from property line & other buildings 	<ul style="list-style-type: none"> Stair and Handrail Drive System (motors, truss, tracks) 	<ul style="list-style-type: none"> Elevator Car Drive System (motors, lifts, controls) Suspension system (counterweights, framing, guide rails)

* Building unit of property (UOP) rules apply to each building structure located on a single property.

** Building system components with a different tax life are separate units of property. For example, a cost segregation study separating HVAC into 5-year & 39-year categories for a restaurant creates two separate HVAC units of property.

Lessee of Building	Must apply the same units of property above but only to the portion of the building being leased.
Personal Property	UOP are parts that are "functionally interdependent" i.e. placing one part in service is dependent on placing the other part in service.
Plant Property	UOP is each component that performs a discrete and critical function. Generally, each piece of machinery or equipment purchased separately.
Network Assets	UOP is determined by taxpayer's particular facts

Definitions

Plant Property	Machinery & Equipment used to perform an industrial process such as manufacturing, generation, warehousing, distribution, automated materials handling, or other similar activities
Network Assets	Railroad track, oil & gas pipelines, water & sewage pipelines, power transmission & distribution lines, telephone & cable lines; -- owned or leased by taxpayers in each of those respective industries.
Major Component	Part or combination of parts that performs a discrete and critical function in the operation of the unit of property
Incidental Component	Relatively small, inexpensive, or minor part that performs a discrete and critical function for the UOP. Generally, not capitalized because of its size, cost, or significance.

KBKG is a specialty tax firm that works directly with CPAs and businesses to provide value-add solutions to our clients. Our engineers and tax experts have performed thousands of tax projects resulting in hundreds of millions of dollars in benefits. Our services include Research & Development Tax Credits, Cost Segregation, Repair vs. Capitalization 263(a) Review, IC-DISC, Green / Energy Tax Incentives (179D for Designers, 45L for Multifamily), and Fixed Asset Depreciation Review.

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BEFORE WE GET STARTED

Welcome and thank you for joining KBKG's and GT's live webinar

- We will start the live webinar at **1pm PT | 4pm ET**
- For the best audio, dial in using the telephone number provided
- Please enter questions into the Q&A module
- Download the slides from **KBKG.com/resources**
 - "Opportunity Zone Deals, Separating Facts From Fiction: An Interactive Discussion with Thought Leaders in the OZ World"



OZ 101: OPPORTUNITY ZONE DEALS, SEPARATING FACTS FROM FICTION

An Interactive Discussion with Thought Leaders in the OZ World

Download PowerPoint slides from **KBKG.com/resources**

All attendees are muted.

The webinar will begin promptly at 1 PM Pacific / 4 PM Eastern



ADMINISTRATIVE

AUDIO

- For the best sound, you should dial in and use the provided telephone number for audio.

HANDOUT MATERIALS

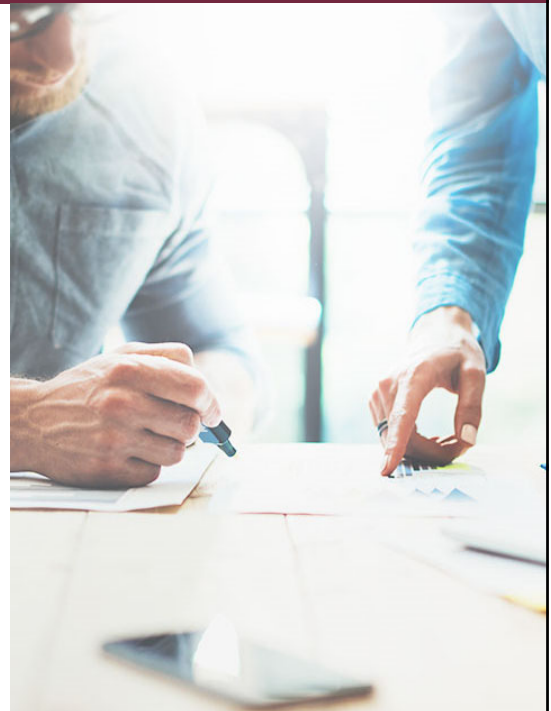
- Download power point slides from KBKG.com/resources

CPE (Continuing Professional Education – for CPAs only)

- Answer all polling questions during the webinar

QUESTIONS AND ANSWERS

- Please submit your questions and we will answer as many as time permits.

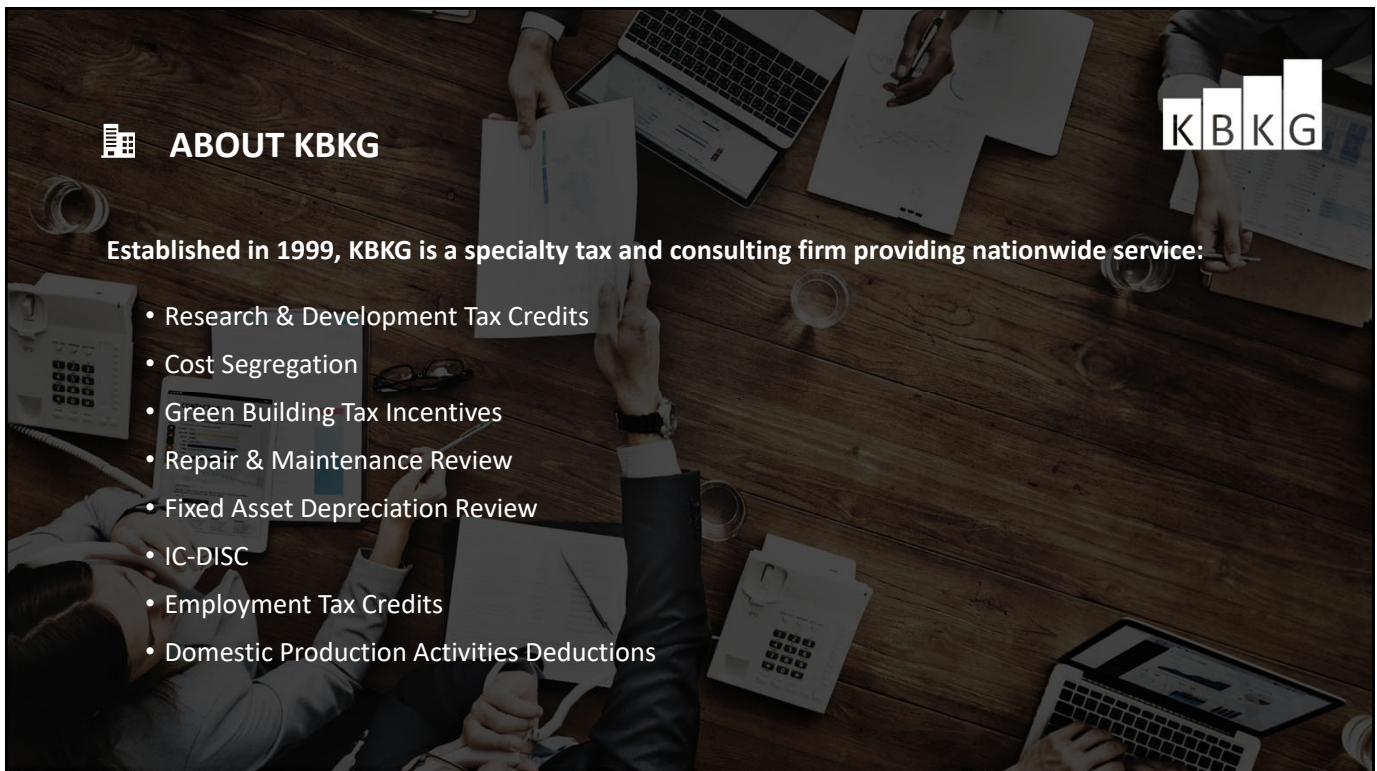


ABOUT KBKG



Established in 1999, KBKG is a specialty tax and consulting firm providing nationwide service:

- Research & Development Tax Credits
- Cost Segregation
- Green Building Tax Incentives
- Repair & Maintenance Review
- Fixed Asset Depreciation Review
- IC-DISC
- Employment Tax Credits
- Domestic Production Activities Deductions





ABOUT GREENBERG TRAURIG



Established in 1967, Greenberg Traurig is an international law firm providing services in:

- Global Law Firm with 2,000 Attorneys; 39 Offices in United States
- Real Estate Acquisition & Finance is a cornerstone of Greenberg Traurig
- Fund Structuring Platform working with small, mid-sized and large cap clients on a wide array of Real Estate ventures and projects
- Using systemic and innovative strategies and approaches to Structure Qualified Opportunity Zone Funds & Businesses



OUR PRESENTERS



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PROGRAMMATIC UPDATES AND STATE OF THE MARKET



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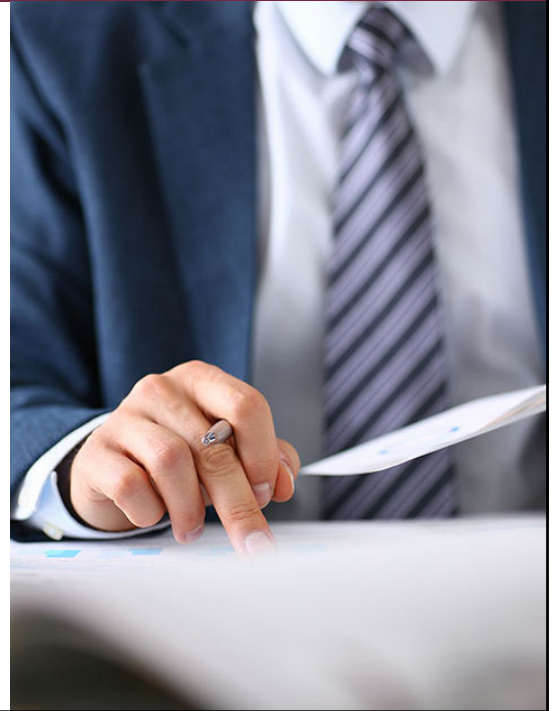


POLLING QUESTION 1



STATE OF THE MARKET

- Origins
- Purpose
- Application
- Types of Investors
- QOFs vs. 1031



UPDATES

- Proposed Regulations – October 19, 2018
- Revenue Ruling 2018-29
- Executive Order on Establishing the White House Opportunity and Revitalization Council (December 12, 2018) and Council Updates
- New Proposed Regulation Update Released April 17, 2019





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POLLING QUESTION 2



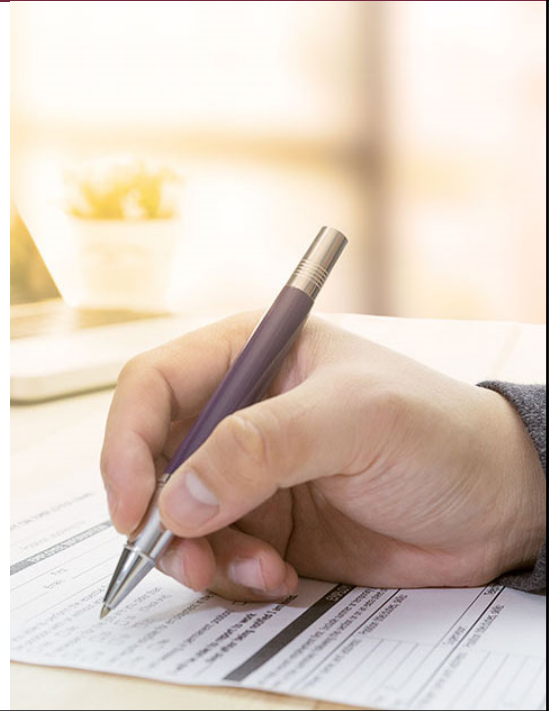
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ILLUSTRATIVE EXAMPLE



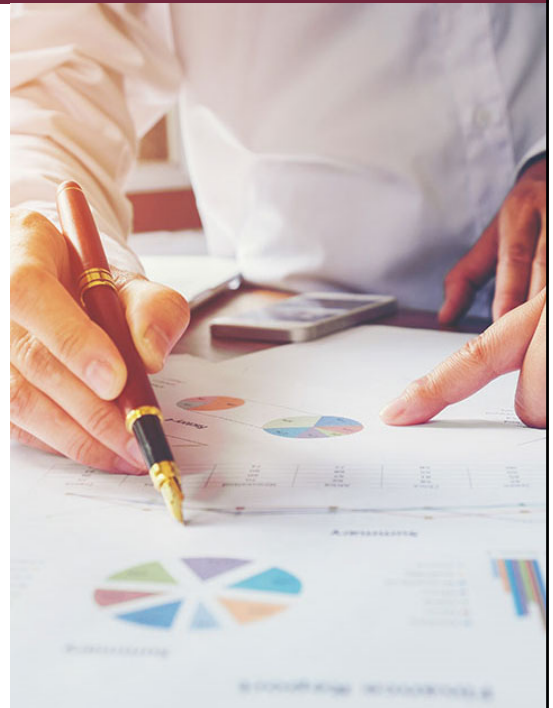
TAX BENEFITS

- Deferral of Current Capital Gains Liability
- 10% Step-up In Basis (Abatement) for Investments Held 5 Years or More – Phased Out after December 31, 2021
- Additional 5% Step-up In Basis (Abatement) for Investments Held 7 Years or More – Phased Out after December 31, 2019
- Full Step-up In Basis to Fair Market Value for Disposition of Investments Held 10 Years or More



ANCILLARY CONSIDERATIONS

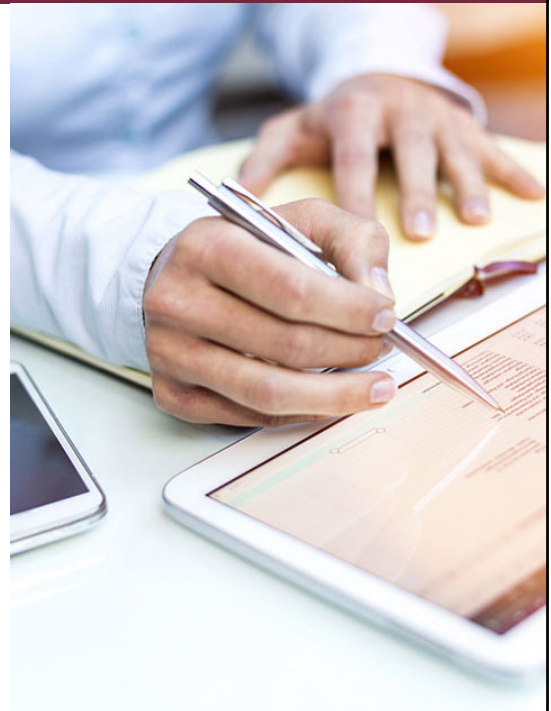
- Depreciation/Depreciation Recapture
- State Tax Treatment





APPLICATION

- Sale or Exchange
 - “Gains” vs. Fresh Capital
 - Pass-throughs vs. Individual Sale
 - 1231 Treatment
- 180 Days
- Qualified Opportunity Funds
- Deployment Testing – 90%



APPLICATION

- “Qualified Opportunity Zone Property”
 - 3 Types of Investment
- “Qualified Opportunity Zone Business Property”
- “Qualified Opportunity Zone Business”
 - “Substantially All”
 - “Gross Income”
 - “Intangibles”
 - “NQFP”
 - “Sin Businesses”





SOLUTIONS FOR TAX PROFESSIONALS AND BUSINESSES
TAX CREDITS • INCENTIVES • COST RECOVERY

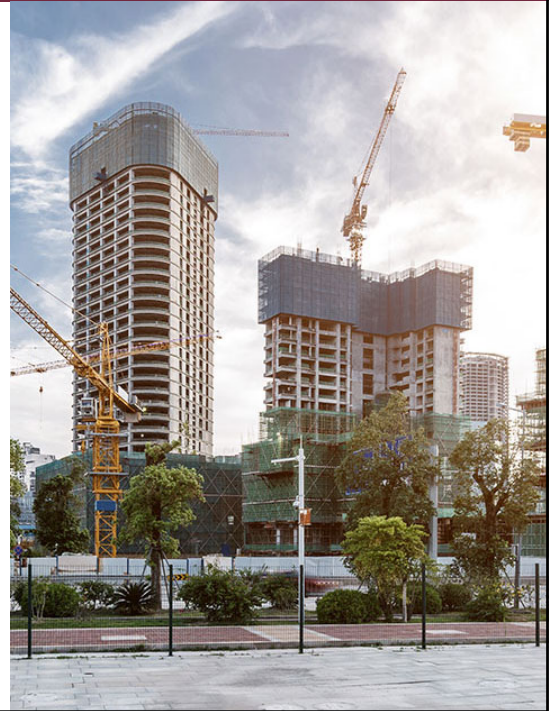


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APPLICATION

- 5 Years - 10%
- 7 Years – 5%
- 2026 Tax
- Post 10 Year FMV Step-up
- State Treatment
- Refinancing/Depreciation Recapture



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POLLING QUESTION 3



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QUALIFIED OPPORTUNITY FUNDS



SOLUTIONS FOR TAX PROFESSIONALS AND BUSINESSES
TAX CREDITS • INCENTIVES • COST RECOVERY



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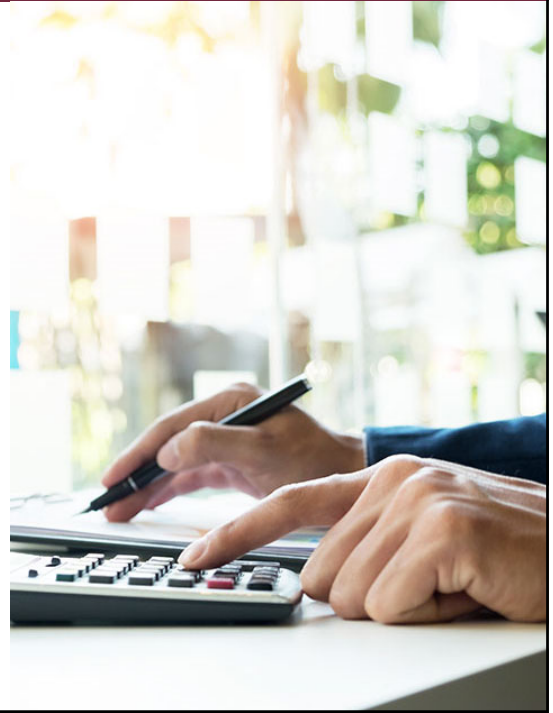
TYPES OF QUALIFIED OPPORTUNITY FUNDS

- “Captive” Funds
- Single Asset Sponsor Funds
- Programmatic Funds
- REITs
- Multi-Asset, Co-Mingled Funds
- Specific Asset or Alternative Strategy Funds
- Opt-in/Opt-out
- Hybrids

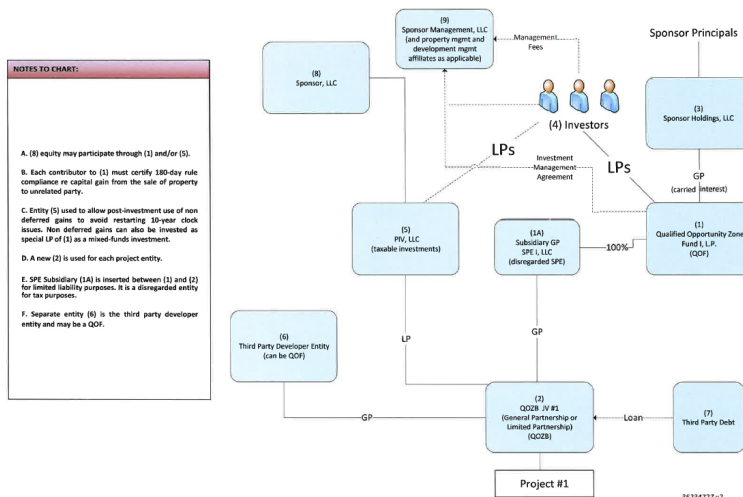


FUND FORMATION PROCESS

- Self-Certification
- Legal Requirements
- Form
- Offering Documents
- Qualified Opportunity Zone Businesses (Two-Tier)
- Timing Considerations



QUALIFIED OPPORTUNITY ZONE FUND I, L.P. SINGLE PROPERTY / THIRD PARTY DEVELOPER





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NEW PROPOSED REGULATIONS



SOLUTIONS FOR TAX PROFESSIONALS AND BUSINESSES
TAX CREDITS • INCENTIVES • COST RECOVERY

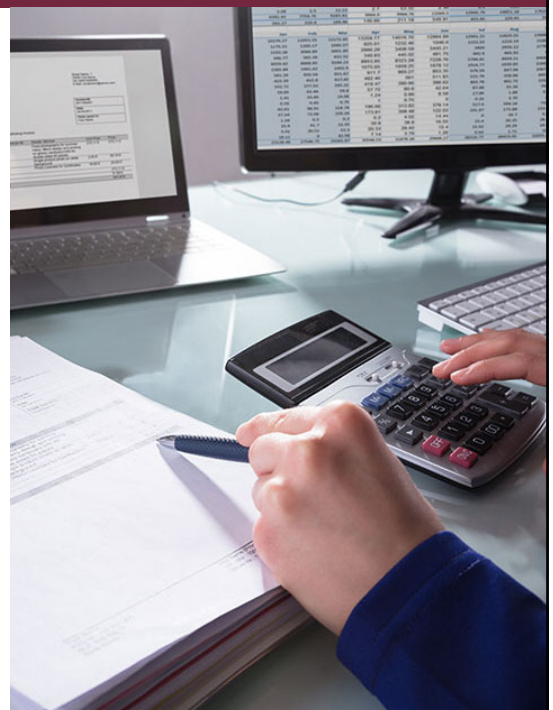


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SIGNIFICANT GUIDANCE

- Reliance Upon Proposed Regulations
- Original Use Clarification
- Debt Financed Distributions
- Special Election Treatment (Upon Finalization)
- Depreciation and Depreciation Recapture
- “Roll-up” of QOFs into a Transferree Partnership
- Interim Sales of Property





OPERATING BUSINESSES

- Gross Income Test Clarification
 - Safe Harbors
- Tenant Lease Treatment for Substantial Improvement and Original Use
- Intangible Property Test Clarification – 40% Standard
- Inventory in Transit
- 31 Month Safe Harbor extension for expenses associated with an operating business



REAL ESTATE

- Leasing Rules (Affiliate and Non-Affiliate)
- Original Use for Improvements on Unimproved Land
- Asset-By-Asset for Substantial Improvement
- Measuring the Tangible Property Test and the 90% QOF Investment Test
- Treatment of Qualified Non-Recourse Indebtedness in Refinance
- Contribution of Existing Property





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POLLING QUESTION 4



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QUESTIONS



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