

Insights



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Opportunity Zones: The Good, The Bad, and The Ugly

By [Kelly L. Frey](#)
Law360

In an article published on Jan. 29 in Law360, Nashville partner Kelly Frey discusses advantages, uncertainties, and problems surrounding opportunity zones. The law of opportunity zones consists of Section 13823 of the Tax Cuts and Jobs Act that enabled a new section of the Internal Revenue Code, Section 1400Z, for which the Internal Revenue Service created a FAQ website, less than 100 pages of proposed regulations, and some guidance regarding revenue rulings.

Opportunity zones tap a new pile of money: huge amounts of unrealized capital gains estimated to be in the billions or trillions of dollars. “But equally as likely is the fact that with little primary source-law available, numerous questions must be answered before the unrealized capital gains and associated fund-management and legal fees will begin to flow,” Frey explains.

In his article, Frey outlines the advantages and uncertainties opportunity zones present:

- **The Good:** Opportunity zones create tax relief opportunities for investors while providing revitalization to lower-income areas. There is no limit on the amount of capital gains that can be invested in opportunity zones.
- **The Bad:** With opportunity zones, there is currently a high degree of uncertainty due to the lack of primary source materials, especially Internal Revenue Service guidance.

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- **The Ugly:** Any new legislation may create unintended consequences, which is certainly the case with opportunity zones – at least until further guidance or revision occurs. With respect to opportunity zones, the legislation and guidance created an opportunity for significant abuse by non-U.S. investors.

He explains, “Pending further guidance, accounting and legal professionals are left to speculate as to the proper structure of deals other than real estate development projects, and local governments are left with managing the gentrification of opportunity zones and integration of these lower-income census tracts into the larger local economies.”

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