

# How To Make Your First Opportunity Zone Investment

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*Updated November 8, 2022*

The Opportunity Zone policy initiative is the biggest economic development program in U.S. history – and the tax incentive of a lifetime.

It might just be the greatest tax incentive ever created!

This guide shows you, step-by-step, exactly how to invest directly in a Qualified Opportunity Fund, and how to file your tax return in order to be eligible for all of the federal tax incentives.

(By the way, if you need a basic introduction to the OZ tax benefits, please download our free guide: [Opportunity Zone Tax Benefits.](#))

## Step 1: Realize A Capital Gain

The Opportunity Zone tax incentive applies only to capital gains. In order to be eligible, your first step is to realize a short- or long-term gain, which can result from the sale of any asset. Typically, the gain can come from the sale of real estate, a privately-held business, or assets in an investment portfolio like stocks, bonds, mutual funds, or ETFs. Sales of alternative assets like art, precious metals, or crypto assets can also result in an eligible capital gain.

As long as you make an investment in a Qualified Opportunity Fund within 180 days of realizing your capital gain, you are eligible for all of the associated tax benefits. Most

Qualified Opportunity Funds are open only to [accredited investors](#), and also require a minimum investment of at least \$50,000. (Some funds have a minimum investment of \$100,000, or even \$250,000 or more.)

## Step 2: Research Qualified Opportunity Funds

At any given moment, there are hundreds of Qualified Opportunity Funds that are currently open to investors. But it can be a challenge to find them all and compare them. That's why at OpportunityDb, we created our [database of Qualified Opportunity Funds](#). Using this list, you can filter funds by asset class, investment location, minimum investment amount, and more.

We also host [OZ Pitch Day](#) three times a year. This live online event showcases a dozen or more privately offered Qualified Opportunity Funds. OZ Pitch Day is free to attend.

## Step 3: Request Subscription Documents

When you have identified one or more Qualified Opportunity Funds that meet your investment goals, you can reach out to the funds' investment relations teams to request subscription documents. Typically, this document package will include the fund's presentation deck, private placement memorandum, subscription agreement, wiring instructions, and wiring instructions. Sometimes, the fund will require you to sign a non-disclosure agreement prior to receiving the subscription documents.

When you attend [OZ Pitch Day](#), we will send you a one-page "cheat sheet" that has easy links to compare each fund, as well as to request more information from any fund.

## Step 4: Execute Subscription Docs, And Wire Funds

Carefully review the private placement memorandum and subscription agreement with your investment and legal advisors before making an investment decision. Once you are

comfortable investing in a deal, execute the subscription documents and wire your funds according to the wiring instructions.

Please note: this process can sometimes take several business days. The entire process must be completed within 180 days of realizing your capital gain. Failure to make your investment in a timely fashion can result in forfeiture of all of the tax incentives associated with Opportunity Zones. Call the fund if you are running tight against any deadlines.

## **Step 5: File IRS Forms 8949 And 8997**

In year one, to properly defer your gain into a Qualified Opportunity Fund, you need to tie that gain (or a portion of that gain) reported on IRS Form 8949 (Sales and Other Dispositions of Capital Assets) with IRS Form 8997 (Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments).

In subsequent years of holding a QOF investment, you will continue to file IRS Form 8997 annually with your tax return.

I've put together a simple video tutorial on how you or your CPA can complete these IRS forms: [How To Fill Out IRS Form 8997 \(For OZ Investors\)](#).

## **More Resources**

### **[The Opportunity Zones Podcast](#)**

- [Watch on YouTube](#)
- [Listen on Apple Podcasts](#)
- [Listen on Spotify](#)

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