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“Opportunity Zones Provide a Way to Hedge Expected Tax Hike”

Quote by Steve Wyatt on “Opportunity Zones Provide a Way to Hedge Expected Tax Hike”

GlobeSt.com

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In an article published by *GlobeSt.com* on May 5, 2021, Atlanta-based Senior Counsel Steve Wyatt discusses the recent call by President Biden to roughly double top capital gains tax rates which is sending many CRE investors to look for ways to avoid the potential impact.

Even though this is not yet a bill or passed into law, investors still will pay tax on the initial capital gains. There is a deferral, but that ends on December 31, 2026. If the rate is higher than currently, the investor would pay a larger percentage in taxes. However, there are some additional considerations.

Wyatt explains a partial step-up basis. “If I hold [the original capital gains] for five years in that opportunity fund, I get a basis step-up of 10% [of the realized gain],” said Wyatt. “Effectively, capital gains tax would apply to only 90% of the initially invested capital gains. There was an additional 5% step-up available, but only if the gains were held in the fund for at least seven years before the 2026 deferral date. That is no longer possible, as 2026 is only five years away.”

To view the full article, [click here](#).