

## Opportunity Zones in the Greater Philadelphia Region

Opportunities abound in the Philadelphia Region, thanks to the Tax Cuts and Jobs Act (TCJA) which enabled governors to designate certain census tracts as Opportunity Zones. The program is designed to "encourage economic growth and investment in designated distressed communities (qualified opportunity zones) by providing Federal income tax benefits to taxpayers who invest in businesses located within these zones" according to the IRS.

Across the United States, approximately 9,000 census tracts were designated by the Treasury. Within the Philadelphia Region, 300 tracts of land in Pennsylvania and 169 tracts in New Jersey were designated as Opportunity Zones. Within the five counties located in Southeastern Pennsylvania, 98 zones were identified. In the eight South Jersey counties, 48 zones were named.

### Tax incentives

Since the opportunity zones are designed to spur economic development by providing tax benefits to investors, the Treasury Department is working on specific rules to give businesses flexibility, as well as the certainty to make major investments.

Real estate developers and investors who qualify for the incentive will receive two benefits:

1. Investors can defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF) until the earlier of the date on which the investment in a QOF is sold or exchanged, or December 31, 2026. If the QOF investment is held for longer than 5 years, there is a 10% exclusion of the deferred gain. If held for more than 7 years, the 10% becomes 15%.
2. If the Investor holds the investment in the Opportunity Fund for at least ten years, the investor is eligible for an increase in basis of the QOF investment equal to its fair market value on the date that the QOF investment is sold or exchanged.

County	Number of Opportunity Zones
Bucks	2
Chester	4
Delaware	6
Montgomery	4
Philadelphia	82
Atlantic	8
Burlington	5
Camden	11
Cape May	2
Cumberland	5
Gloucester	4
Ocean	11
Salem	2

<https://dced.pa.gov/programs-funding/federal-funding-opportunities/qualified-opportunity-zones/>

[https://www.state.nj.us/dca/divisions/lps/opp\\_zones.html#where](https://www.state.nj.us/dca/divisions/lps/opp_zones.html#where)

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### Opportunity Zones (continued from page 1)

To become a Qualified Opportunity Fund, an eligible corporation or partnership must self-certify by providing documentation that they hold at least 90% of its assets in qualified opportunity zones. To self-certify for the Qualified Opportunity Fund, Form 8996 must be completed along with your corporate or partnership federal income tax return.

The tax deferral is temporary (up to nine years) and the program ends on December 31, 2026.

For more information, visit <https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions> or contact us.



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## KOZ, KIZ and Jump Start Philly

Acronyms are plentiful as we stay abreast of opportunities for business owners to reduce or waive taxes within the Keystone state. In addition to the 2018 Opportunity Zone legislation, Pennsylvania continues to offer **Keystone Opportunity Zones (KOZ)**, which use tax exemptions to increase investment in areas lacking development.

Abandoned, unused or underutilized properties are targeted with this program and temporary tax relief in the form of tax credits, tax waivers and broad-based tax abatements are available to businesses located within the designated zones.

For a business to qualify, they must own or lease property in one of the designated zones; and actively conduct a trade, business, or profession in that same designated zone.

Similar to the Opportunity Zone rules, a qualified business must receive certification to qualify for KOZ tax credits. Certification is obtained from the Pennsylvania Department of Community and Economic Development (DCED).

The **Keystone Innovation Zone (KIZ)** tax credit program contributes up to \$15 million in tax credits annually to KIZ companies. An application must be submitted on an annual basis in order to claim a tax credit. The KIZ tax credit must first be applied against the KIZ company's own tax liability under Articles III (Personal Income Tax), or IV (Corporate Net Income Tax) of the Pennsylvania Tax Reform Code of 1971. Unused KIZ Tax Credits may be applied against the tax liability of the KIZ company for up to five years from date the KIZ Tax Credit is issued or may be reassigned/sold to another taxpayer.

**KOZ, KIZ and Jump Start Philly (continued)**

New businesses and entrepreneurs in Philadelphia that create at least three full-time jobs in the City within the first 12-months of opening the business and through the 18th month anniversary, may qualify for **Jump Start Philly**. If approved, the first two years that the business is in operation is exempt from paying the Net Profits Tax and the Business Income and Receipts Tax. Plus, certain licenses and registration fees will be waived for eligible new businesses.

At St. Clair CPAs, we understand the complexities and demands of starting a new business. Our tax professionals are available to help structure your business and navigate the options available through tax planning in order to maximize the benefits available for your startup or new business.



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## Federal Tax News

### The IRS is alerting certain veterans that they may be due a tax credit or refund.



The 2016 Combat-Injured Veterans Tax Fairness Act affects veterans who received disability severance payments after 1/17/91, and were improperly taxed on the amounts on their federal tax returns. To recover the taxes, these veterans must file Form 1040X, "Amended U.S. Individual Income Tax Return." They can submit claims based on the actual disability severance payments, or use a simplified method to claim refunds. For more details contact us or visit <https://www.irs.gov/newsroom/combat-injured-disabled-veterans-may-be-due-a-refund>

### The Social Security "wage base" will increase for 2019.

The wage base is the maximum amount of earnings subject to Social Security tax. The Social Security Administration just announced that the wage base for 2019 will rise to \$132,900. This is up from \$128,400 in 2018. For 2019, an employee will pay 6.2% Social Security tax on the first \$132,900 of wages (for a maximum of \$8,240). In addition, an employee will pay 1.45% Medicare tax on the first \$200,000 of wages and 2.35% Medicare tax on all wages exceeding \$200,000.

### Court: Deductions must be substantiated.

Taxpayers can generally deduct the ordinary and reasonable, bona fide costs that are part of doing business, but the costs must be supported. In one case, the IRS found that a married couple wasn't entitled to deduct payments made to the husband's assistant, even though they might have been business expenses. Reason: They failed to substantiate them. The U.S. Tax Court agreed, and also found that the husband had failed to provide proof for car and truck

expenses, and the couple may have already deducted them earlier in connection with the wife's work. (TC Memo 2018-190)

### **Did you make a job-related move last year that your employer reimbursed you for this year?**

The IRS announces that employer reimbursements in 2018 for qualifying pre-2018 employee moves are tax-free. Clarifying the effects of the Tax Cuts and Jobs Act (TCJA), the IRS states that employer payments in 2018 for employee moving expenses incurred prior to 2018 are excluded from the employee's wages for tax purposes. The IRS notes that, because the TCJA was passed at the end of 2017, individuals who relocated in 2017 but didn't receive payment until 2018 wouldn't have anticipated that the payments were taxable. (IRS Notice 2018-75)



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## In Our Community

### **Dress Down for Charity**

For a donation of \$5, any employee may wear jeans to work on Friday. Each month a new charity is selected from recommendations received by our Employee Relations Committee.

In August, we donated to the Billy and Jake Lowe Food Pantry Fund with the Jewish Family and Children Services of SNJ (JFCS). The JFCS is a social service agency that has been serving the South Jersey community for over 70 years, with a mission to help people help themselves through all of life's challenges. The organization serves everyone, regardless of race, religion or economic ability throughout Camden, Burlington, and Gloucester counties.

In September, we supported the Humane Society of the U.S. The Humane Society and its affiliates provide direct care to more than 100,000 animals each year through their sanctuaries, veterinary programs and emergency shelters and rescues. In addition, the Society provides education and training programs.

We collected money to support Wreaths Across America during the month of October. This national program was created to "Remember and Honor our veterans by laying Remembrance wreaths on the graves of our country's fallen heroes."



We partnered with the People Helping People Foundation in October. A team of our employees spent the day painting the STEAM room (science, technology, engineering, arts and Math) and assisted the teacher in cleaning out the storage closet and room and organizing the equipment and supplies at Stenton Elementary School in Philadelphia. Our St. Clair team included Dan Burke, Fran Sperling Feldbaum, Glen Dymond, James McEnhill, Steve Rapino and Shruthi Somashekar.

During November, we made a donation to Kate's Place Inc. in Moorestown, New Jersey. Kate's Place is a social program for developmentally delayed teens and young adults, 18 years of age and above. In addition, during the month of November, four of our employees, Ethan Spotts, Jamal Charles, John Prajzner, and Davis Louis helped the Colonial Neighborhood Council unload canned goods to their neighborhood center.

Our last charity of 2018 was the Kevin from Heaven Foundation which was created in memory of six-year old Kevin Flach and to honor his parents' wishes, by providing assistance to those who are facing life altering events and who require assistance in overcoming the challenges they face.

## Professionally Speaking

On September 28th and 29th, our firm attended The Franchise Show at the Pennsylvania Convention Center in Philadelphia. Colleen Levin, CPA, led a session on "Starting Your New Franchise Business" to current and future entrepreneurs.

The presentation provided key objectives including:

- What is the best entity formation options for your new franchise business?
- What Is the most efficient and profitable way to operate your new business with the best business practices?
- How to maximize financing options and tax strategies to minimize tax liabilities?
- What to consider when buying a franchise?



ABOVE L to R: Frances Sperling Feldbaum, CPA, MBA; Colleen Levin, CPA and Jim Knight, CPA at our booth at The Franchise Show.



LEFT: Colleen Levin, CPA, presents at The Franchise Show at the Pennsylvania Convention Center in Philadelphia on September 29, 2018.

#### Additional events:

Justin W. Stolte, CPA, participated in two regional events with a focus on financial health which included locations at Independence LIVE! Philadelphia for the Independence Business Alliance as well as West Chester University for the Equality Alliance of Chester County.

Want to know where we'll be next? [Follow us on LinkedIn.](#)

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