Qualified Opportunity Funds Can Benefit 1031 Exchange Investors

Park View OZ REIT (Symbol: **PVOZ**) is the only Qualified Opportunity Fund (QOF) to offer the convenience and accessibility of public stock ownership. We offer investors and 1031 exchange practitioners unique options to enhance tax-efficient portfolio construction.

Here are the variety of ways QOFs can be utilized:

1. **How to Defer 1031 Boot.** When a property is exchanged into a lower priced property the difference is taxable and referred to by 1031 practitioners as "boot." Finding 1031 eligible investments with smaller remainder amounts can be difficult. PVOZ can accommodate investors with the purchase of as little as one share of stock. For investors hoping to defer tax liabilities on boot, PVOZ may be the only practical choice. QOFs can also defer boot arising from the sale of non-like kind assets that may be part of a real estate transaction.

2. **As a Contingency Plan When a 1031 Does Not Work Out.** The rules for executing a successful 1031 exchange are complex. Investors cannot take personal possession of the sale proceeds, the properties being exchanged into need to be identified within 45 days, and the purchase must be completed within 180 days. If the exchange is not carefully planned in advance, a planned exchange can become ineligible for 1031 tax deferral benefits. Luckily, none of these restrictions apply to QOF investments. This means QOFs are frequently called upon as a backup plan when a 1031 exchange cannot be used to defer a capital gain liability.

3. **Capital Gains on Collectibles.** For years, investors in collectibles such as art, wine, precious metals and more, were able to use 1031 exchanges to defer their tax liabilities. Unfortunately, the Tax Cuts and Jobs Act of 2017 disallowed the use of 1031 exchange for collectibles. To make matters worse, capital gains on collectibles are taxed at a higher marginal rate of 28% versus 20% for most assets. Fortunately, a QOF investment can defer almost any type of capital gain including collectibles.

4. **Liquidity for High Tax Basis 1031 investors.** QOFs can be an excellent option for investors selling a high-cost basis property. For example, if the investor sells a property for $10 million and their tax basis is $9 million, to defer the $1 million capital gain a 1031 exchange would require the entire $10 million in proceeds to be reinvested. A QOF investment only requires the $1 million capital gain be reinvested to defer the entire capital gain liability. Investors using the QOF would be free to use the $9 million in principal as they wish.

5. **Estate Tax Planning.** 1031 exchanges offer investors a 100% basis step up on death, eliminating all capital gain taxes due for the estate's beneficiaries. This is a very tax-efficient strategy for most investors. However, if the investor's estate is large enough to trigger estate taxes, then you do not want the step up in basis because it will be taxable at the 40% estate tax rate. It is better to defer the tax with a QOF which does not trigger a basis step up on death, and pay the capital gain rate of 20% at the end of the deferral period.

6. **Using a Qualified Intermediary Can Result in Very Generous QOF Benefit Eligibility.** A unique situation arises when an investor intending to execute a 1031 hires a qualified intermediary (QI) to hold the sale proceeds but the exchange is not completed. If the QI holds the funds into a new tax year the investor can claim installment sale treatment by filing IRS form 6252. This installment sale treatment may be available for funds held by a QI within the same tax year but the issue is relatively new and untested. Under installment sale rules the day the QI releases the sales proceeds will be the investor's new capital gain realization date. The final opportunity zone regulations allow taxpayers to begin their 180-day investment period on the date of receipt of installment sale proceeds or at their taxable year end. This allows taxpayers a second chance at deferring their tax liability when a 1031 exchange does not go as planned.

7. **Sale Deferring a Capital Gain on the Sale of a Partnership or S-Corp interest.** The sale of the interest in an entity, even if the underlying asset of the entity is real estate, is considered personal property, so not "like kind" to real estate. This makes the sale of interests in a partnership or S-Corp ineligible for a 1031 exchange. However, an investment in a QOF can defer tax on the sale of a partnership or S-Corp interest.

8. **An Alternative if a Tax Return is Filed Before the 1031 Exchange is Complete.** When a taxpayer initiates a 1031 exchange late in their tax year they might inadvertently end their 180 exchange window early by filing a tax return. For example, a 1031 is begun in December with plans to complete the exchange by May. In this circumstance, if the taxpayer files their taxes on April 15th under 1031 rules, filing the tax return ends the 180 exchange period making them ineligible to complete the exchange. However, under opportunity zone rules filing a tax return does not end the 180 investment window. QOF investors are allowed to amend their tax returns. This allows a taxpayer in this circumstance to pivot to a QOF investment and defer their capital gain liability.

There are two ways shares can be purchased with Park View OZ REIT:

- Shares can be bought through our subscription agreement, which offers a fixed price of $100 a share.
- They may be purchased under the stock symbol "PVOZ" through a brokerage account at a price that fluctuates with the market.

The shares of stock and tax benefits are identical regardless of how they are acquired. We recommend you review our offering circular before making a purchase.

To learn more please visit us at www.parkviewozreit.com.