§1400Z–2. Special rules for capital gains invested in opportunity zones

(a) In general

(1) Treatment of gains

In the case of gain from the sale to, or exchange with, an unrelated person of any property held by the taxpayer, at the election of the taxpayer-
(A) gross income for the taxable year shall not include so much of such gain as does not exceed the aggregate amount invested by the taxpayer in a qualified opportunity fund during the 180-day period beginning on the date of such sale or exchange,
(B) the amount of gain excluded by subparagraph (A) shall be included in gross income as provided by subsection (b), and
(C) subsection (c) shall apply.

(2) Election

No election may be made under paragraph (1)-
(A) with respect to a sale or exchange if an election previously made with respect to such sale or exchange is in effect, or
(B) with respect to any sale or exchange after December 31, 2026.

(b) Deferral of gain invested in opportunity zone property

(1) Year of inclusion

Gain to which subsection (a)(1)(B) applies shall be included in income in the taxable year which includes the earlier of-
(A) the date on which such investment is sold or exchanged, or
(B) December 31, 2026.

(2) Amount includible

(A) In general

The amount of gain included in gross income under subsection (a)(1)(A) shall be the excess of-
(i) the lesser of the amount of gain excluded under paragraph (1) or the fair market value of the investment as determined as of the date described in paragraph (1), over
(ii) the taxpayer's basis in the investment.

(B) Determination of basis

(i) In general

Except as otherwise provided in this clause or subsection (c), the taxpayer's basis in the investment shall be zero.

(ii) Increase for gain recognized under subsection (a)(1)(B)

The basis in the investment shall be increased by the amount of gain recognized by reason of subsection (a)(1)(B) with respect to such property.

(iii) Investments held for 5 years