

Direct v. Indirect OZ Investment Requirements

Direct Investment (QOF directly owns QOZBP and operates business)	Indirect Investment
90/10 Test If a Qualified Opportunity Fund (QOF) does not hold interest in subsidiaries, 90% of its assets must be Qualified Opportunity Zone Business Property (QOZBP).	70/30 Test
No working capital safe harbor ; absent further guidance, all cash would be counted toward the 10% of assets that can be non-QOZBP	Working Capital Safe Harbor applies to allow unlimited amount of cash as long as entity substantially complies with a written plan of deployment for acquisition, construction and/or rehabilitation.
No active conduct standard	50% gross income from active conduct of trade or business (deemed to be met during construction/rehabilitation under working capital safe harbor)
No prohibition on sin businesses	No sin businesses
No specific reference to the lease of property directly by a QOF	A QOZB is able to lease property and the statute contemplates that this property could qualify as QOZBP, but it is not clear how the QOZBP requirements are applied to leased property
As currently written, this 5-year grace period does not apply to QOZBP held directly by a QOF	Statue provides a 5-year grace period for characterization of property held by a QOZB as QOZBP