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Trump Signs Sweeping Tax, CRE, and OZ Reform Bill

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On a sweltering July 4th, President Donald Trump signed into law a sweeping piece of legislation that's already making waves across industries. The nearly 1,000-page bill, one of the most comprehensive of his presidency, brings together many of his long-standing policy goals, ranging from tax reform to social programs, and especially, commercial real estate.

The bill's path through Congress was anything but straightforward. It took major turns in the Senate, where lawmakers reshaped much of the original proposal. The House, eager to push it through quickly, adopted the revised version without further delay. What emerged is a law that not only changes how taxes are handled but also aims to redirect investment to underserved communities through the revamped Opportunity Zones program.

Reactions from the commercial real estate (CRE) world have been mixed. Some industry leaders see the new law as a much-needed update that could fuel growth and investment. Others argue that the changes won't make much of a difference on the ground. Still, few can deny that the legislation provides a new level of clarity, something the sector has long asked for.

At the heart of the bill is a major revamp of Opportunity Zones, a federal program initially launched under the 2017 Tax Cuts and Jobs Act. Under the new law, Opportunity Zones will now operate in fixed 10-year cycles. Importantly, they come with stricter rules: any qualifying zone must not include census tracts with overly high median family incomes. This "guardrail" is meant to keep the program focused on genuinely low-income areas.

For investors, the incentives are significant. Rick Porras, chief financial officer at Neology Group, explained that those who hold their investments for at least five years will see a 10% step-up in basis, reducing their taxable capital gains. Rural properties that qualify under the new structure could even see up to a 30% increase in basis, making them particularly attractive to long-term investors.

This structure gives investors two key benefits: deferring capital gains taxes and increasing the adjusted cost basis of their investment. In simpler terms, the longer they stay invested, the more they save in taxes.

While the full impact of the legislation will take time to unfold, it already marks a significant shift in federal policy. Whether it will live up to its promise of revitalizing struggling communities and boosting the economy remains to be seen. But for now, the real estate and investment world is paying close attention.