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November 13, 2018

CC:PA:LPD:PR (REG-115420-18), room 5203
Internal Revenue Service
PO Box 7604
Ben Franklin Station
Washington, DC 20044

Re: IRC Section 1400Z-2

To Whom It May Concern:

After a review of the new IRC Section 1400Z-2 and the recently issued Proposed Regulations, we have a couple of questions in the implementation. The first is if a 2017 capital gain from a pass-thru entity would qualify to be deferred into a qualified opportunity zone project if accomplished within the first 180 days of 2018. The 2017 Tax Act was effective December 22nd of 2017 and the Proposed Regulations allow for a capital gain from pass-thru entity to be considered as received by the entity owner at year end or December 31, 2017.

In our specific case the sale inside the pass-thru entity occurred in the middle of November 2017. Within 180 days of that sale date and in 2018, real property was purchased in one of WA State's designated Opportunity Zones. Subsequently, a construction loan was entered into on June 10th of 2018. Though this loan would be within the 180 days of December 31, the loan would only be partially disbursed prior to June 30th.

Our second question in regards to the deferral of a prior gain would involve the construction loan that is personally guaranteed by the members. Is the measure of the investment and deferral include the entire loan or only the amount withdrawn on the construction loan within the 180 day window? Or is the deferral limited to the actual cash contributed by the various deferring members and a loan secured on the investment though secured by the members individually <u>not</u> considered in the deferral exercise?

To summarize, we are requesting clarification on the potential deferral of a 2017 capital gain and if and how a qualified project loan can be included in the deferral of gain measurement.

Sincerely,

Edward L. Raisl

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