

OPPORTUNITY ZONES

Federal Capital Gains Tax

OZ offers three main benefits to investors:



Temporary Deferral

A temporary deferral from inclusion from taxable income to the extent eligible capital gains are reinvested into a Qualified Opportunity Fund. Generally, some or all of the deferred gain is recognized on the earlier of the date on which the opportunity zone fund investment is disposed or December 31, 2026.



Step-Up in Basis

A step-up in basis for capital gains reinvested in an Opportunity Fund. The basis is increased by 10% if the qualifying investment in the Opportunity Fund is held by the taxpayer for at least 5 years and by an additional 5% if held for at least 7 years, thereby excluding up to 15% of the original gain from taxation (provided the 5th and 7th anniversaries occur prior to 12/31/2026).



Permanent Exclusion

An election to provide a permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in an Opportunity Fund if the investment is held for 10 years. This exclusion only applies to capital gains accrued after an investment in an Opportunity Fund.

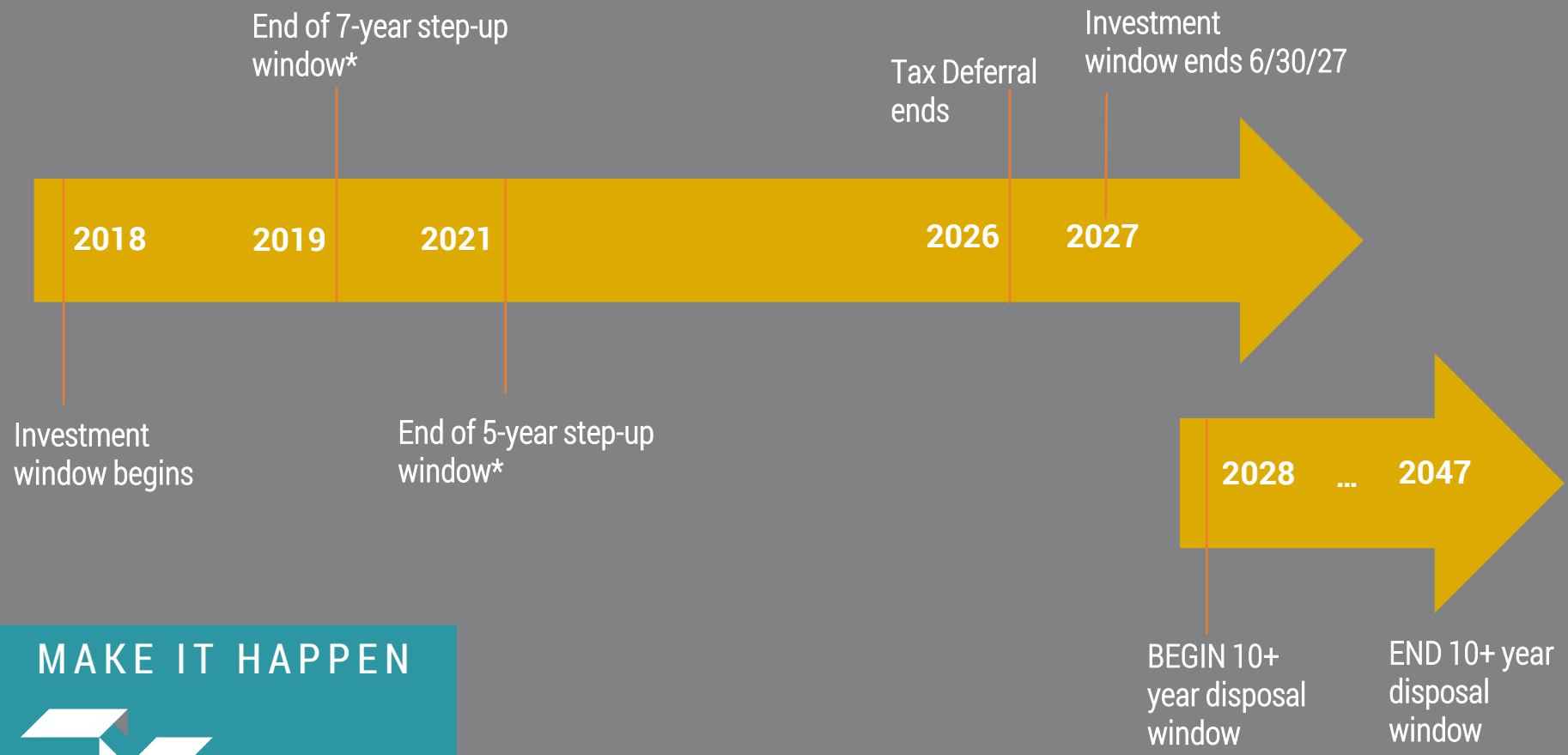
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OPPORTUNITY ZONES Investment Timeline



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*Investors can invest until 2027, but those that invest after 2019 will not be eligible to reduce their capital gains taxes by 15%, and investors that invest after 2021 will not be eligible to reduce by 10%.

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How It Works

TAXPAYERS
INVEST CAPITAL
GAINS

QUALIFIED
OPPORTUNITY
FUNDS (QOFs)

- Stock or partnership interest in operating business in OZ
- Qualified OZ property

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Key Points

- Equity (not loans or grants)
- Market-driven
- Best for projects that appreciate over time
- Little reporting
- Property must be purchased after 2017
- Investments must create something new or “substantially improve” existing property
- Many rules re: timing

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