Established by congress in the Tax Cuts and Jobs Act of 2017

Goal is to spur private sector investment in low income communities

Treasury has yet to issue regulations, but has provided FAQ’s

A “Light Touch” regulatory framework
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BOISE OPPORTUNITY ZONES
Provides tax incentives for investors to re-invest unrealized capital gains by:

- **Temporary deferral** of capital gains taxes
- **Tax reduction** on capital gains (at 5 and 7 years)
- **Elimination of taxes** on gains from OZ investments (if held for 10 years)
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HOW IT WORKS

Individual invests capital gains into Opportunity Fund

Opportunity Fund invests in qualified Opportunity Zone investments

Qualified investments include:

• Stock or partnership interest in operating business in OZ
• Qualifying property in OZ
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TAX BENEFITS

Opportunity Zone Investment Timeframe

5 years
10% Tax Reduction

7 years
5% Tax Reduction

10 years
No Taxes due on Gains from OZ Investment

Deferral Ends on 12/31/2026
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INVESTMENT EXAMPLE

Investor has an Investment Subject to Federal Capital Gains Tax

- **Investment Amount**: $500,000
- **Capital Gains Rate**: 23.80%
- **Capital Gains Tax Owed**: $119,000

Invests in Real Estate – Businesses Located in Designated Opportunity Zones

**Investor wants a 7% Return**
Investor Exits in YR 5

Investment Now Worth $701,276

Original Capital $500,000

Original Basis For Capital Gains
Tax Reduced by 10%

$500,000 x 90% x 23.80% = $107,100

Instead of Paying $119,000 – Investor Pays $107,100
Investor Exits in YR 5

- **New Gain**: $201,276
- **Original Capital**: $500,000

Investment Exit Triggers Capital Gain

$201,276 \times 23.80\% = $47,903

Investment Now Worth $701,276
Investor Exits in YR 5

Investment Now Worth $701,276

Investor Summary

Original Investment $500,000
Investment Value At Exit $701,276

Minus:

Tax on Initial Capital <$107,100>
Tax on New Gain <$47,904>

Investor Funds – After Tax $546,272
Investor Return – After Tax 1.8%
Investor Exits in YR 7

Investment Now Worth $802,891

Original Capital $500,000

Original Basis For Capital Gains
Tax Reduced by 15%

$500,000 x 85% x 23.80% = $101,150

Instead of Paying $119,000 – Investor Pays $101,150
Investor Exits in YR 7

- New Gain $302,891
- Investment Now Worth $802,891
- Investment Exit Triggers Capital Gain
- $302,891 x 23.80% = $ 72,088

Original Capital $500,000
Investor Exits in YR 7

Investment Now Worth $802,891

Investor Summary

Original Investment $500,000
Investment Value At Exit $802,891

Minus:

Tax on Initial Capital. <$101,150>
Tax on New Gain <$ 72,088>

Investor Funds – After Tax $629,653
Investor Return – After Tax 3.3%
Investor Exits in YR 10

Investment Now Worth $983,576

Original Capital
$500,000

Original Basis For Capital Gains
Tax Reduced by 15%

$500,000 x 85% x 23.80% = $101,150

Instead of Paying $119,000 – Investor Pays $101,150
Investor Exits in YR 10

Investment Now Worth $983,576

New Gain
$483,576

Investment Exit Triggers
NO Capital Gain

Original Capital
$500,000
Investor Exits in YR 10

Investment Now Worth $983,576

Investor Summary

Original Investment $500,000
Investment Value At Exit $983,576

Minus:

Tax on Initial Capital <$101,150>
NO Tax on New Gain

Investor Funds – After Tax $882,426
Investor Return – After Tax 5.85%
Investor Summary

<table>
<thead>
<tr>
<th>Year</th>
<th>Original Capital</th>
<th>5 YR</th>
<th>7 YR</th>
<th>10 YR</th>
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<td>$546,272</td>
<td>$629,653</td>
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<tr>
<td>Return</td>
<td>1.8%</td>
<td>3.3%</td>
<td></td>
<td>5.85%</td>
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</tbody>
</table>

New Investment After Tax
Original Investment
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**NEXT STEPS**

- Local communities to organize, identify projects, and engage investors
- Communities and organizations to advocate for community benefits
- Treasury and IRS to issue technical rules and guidance to give investors more clarity
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CONTACT INFORMATION

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