



HOMES JOBS COMMUNITY

OPPORTUNITY ZONE LISTENING SESSIONS

Boise, ID | October 10, 2018

Opportunity Zone Listening Session

BACKGROUND

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

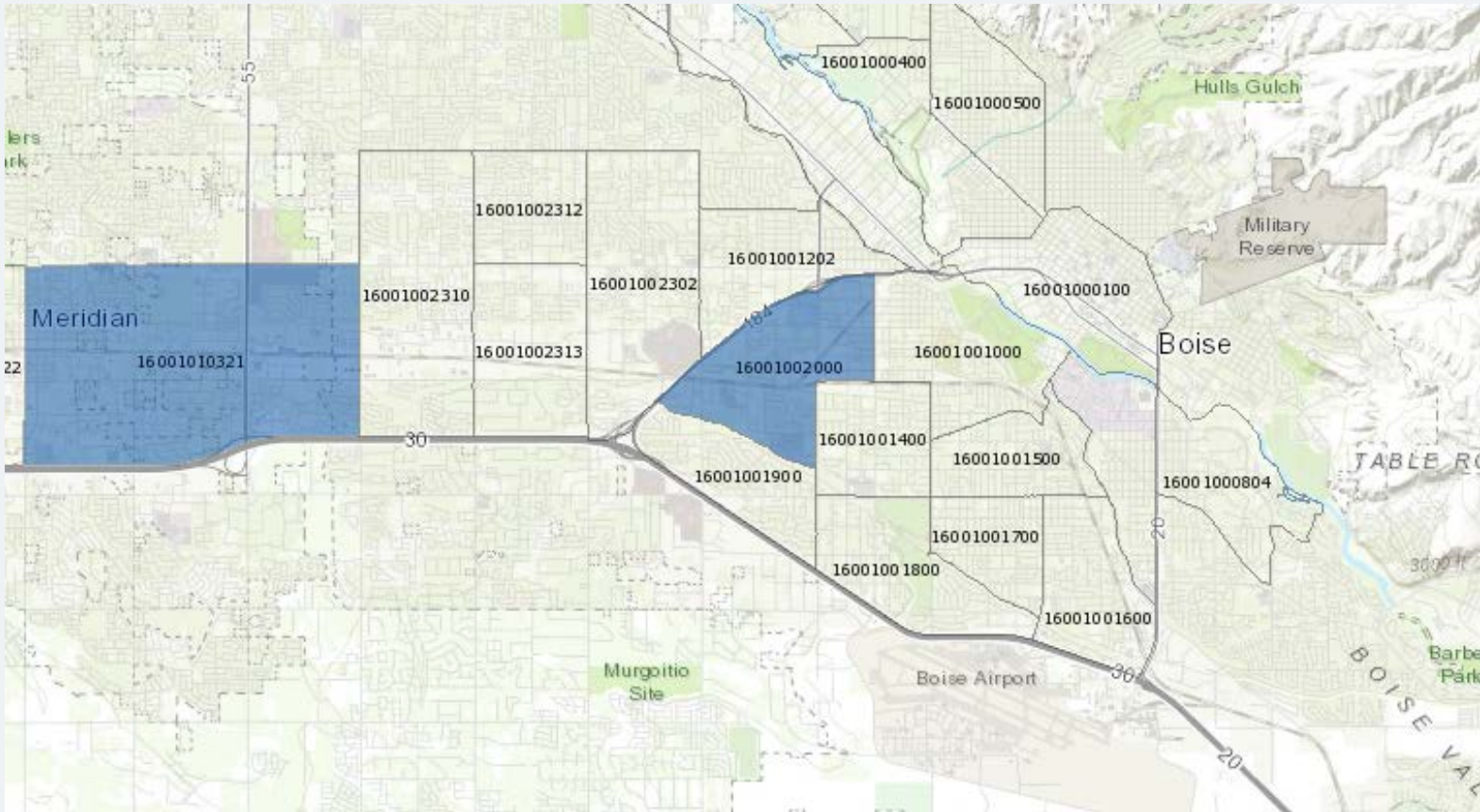
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IDAHO OPPORTUNITY ZONES



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BOISE OPPORTUNITY ZONES



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THE BASICS

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

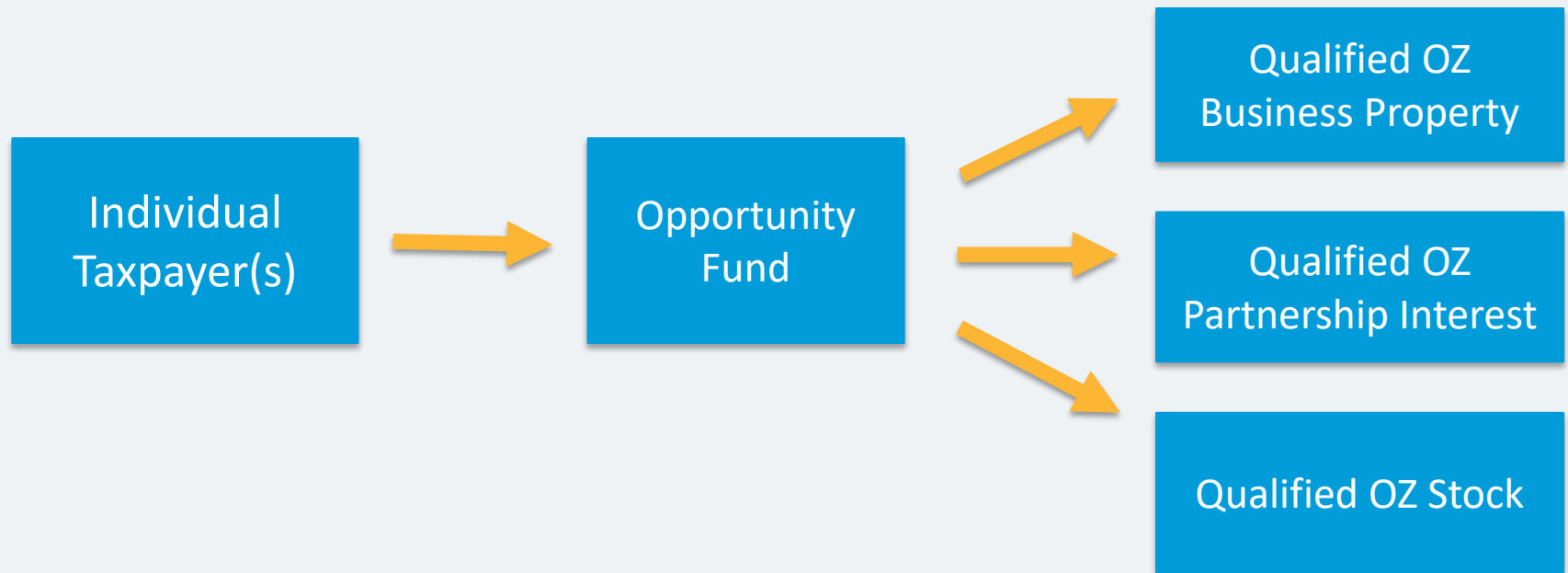
Opportunity Fund invests in qualified Opportunity Zone investments

Qualified investments include:

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

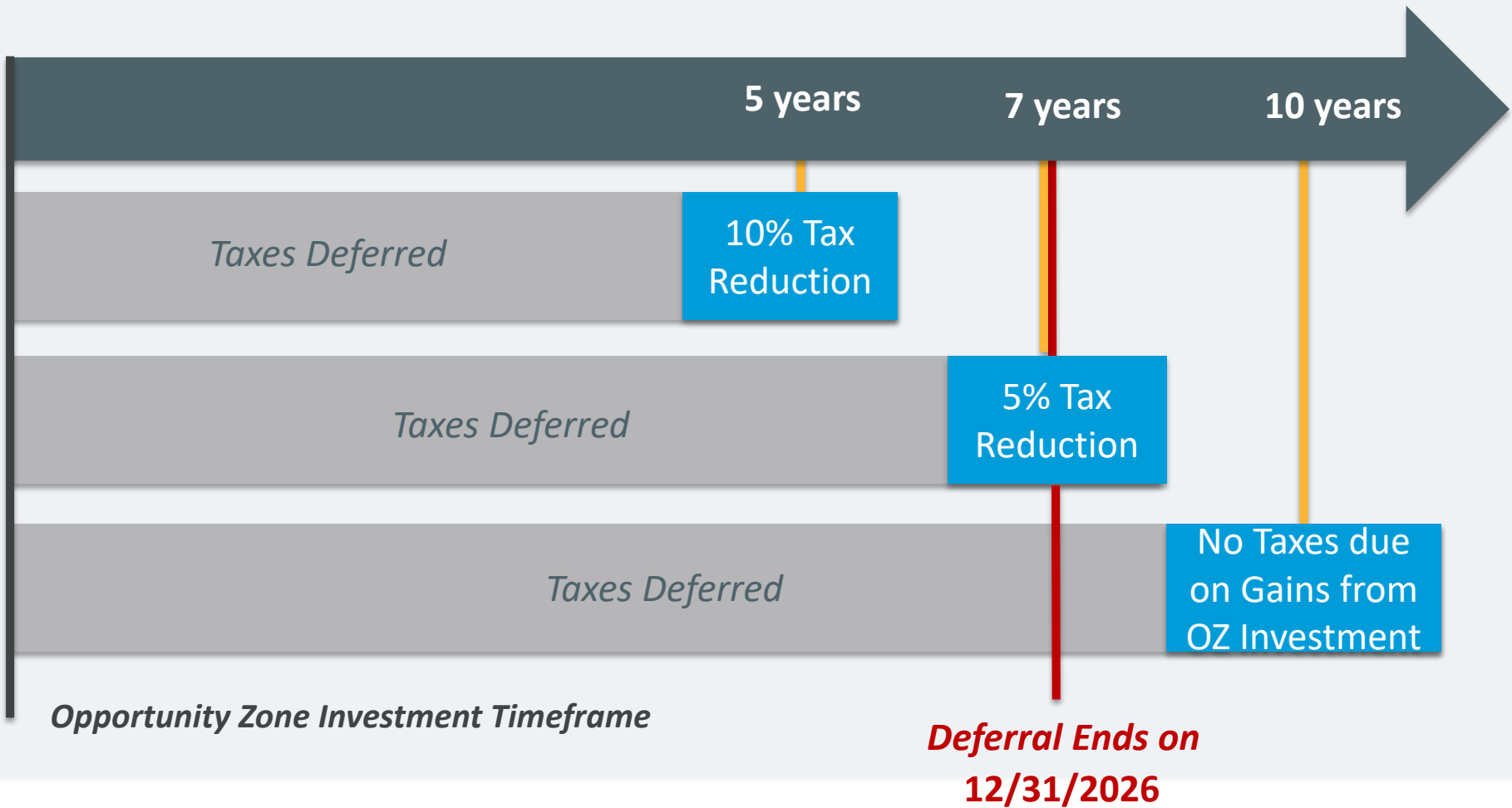
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HOW IT WORKS



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TAX BENEFITS



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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

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INVESTMENT EXAMPLE

Investor Exits in YR 5

Original
Capital
\$500,000

Investment Now Worth \$701,276

Original Basis For Capital Gains
Tax Reduced by 10%

$$\$500,000 \times 90\% \times 23.80\% = \$107,100$$

Instead of Paying \$119,000 – Investor
Pays \$107,100



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INVESTMENT EXAMPLE

Investor Exits in YR 5

| |
|---|
| New Gain \$201,276 |
| Original Capital \$500,000 |

Investment Now Worth \$701,276

Investment Exit Triggers Capital Gain

$$\$201,276 \times 23.80\% = \underline{\$47,903}$$



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INVESTMENT EXAMPLE

Investor Exits in YR 5

| |
|---|
| New Gain \$201,276 |
| Original Capital \$500,000 |

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% |



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INVESTMENT EXAMPLE

Investor Exits in YR 7

Original
Capital
\$500,000

Investment Now Worth \$802,891

Original Basis For Capital Gains
Tax Reduced by 15%

$$\$500,000 \times 85\% \times 23.80\% = \$101,150$$

Instead of Paying \$119,000 – Investor
Pays \$101,150



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INVESTMENT EXAMPLE

Investor Exits in YR 7

New
Gain
\$302,891

Original
Capital
\$500,000

Investment Now Worth \$802,891

Investment Exit Triggers Capital Gain

$\$302,891 \times 23.80\% = \underline{\$72,088}$



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INVESTMENT EXAMPLE

Investor Exits in YR 7

**New
Gain
\$302,891**

**Original
Capital
\$500,000**

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% |



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INVESTMENT EXAMPLE

Investor Exits in YR 10

**Original
Capital
\$500,000**

Investment Now Worth \$983,576

Original Basis For Capital Gains
Tax Reduced by 15%

$\$500,000 \times 85\% \times 23.80\% = \$101,150$

Instead of Paying \$119,000 – Investor
Pays \$101,150



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INVESTMENT EXAMPLE

Investor Exits in YR 10

New
Gain
\$483,576

Original
Capital
\$500,000

Investment Now Worth \$983,576

Investment Exit Triggers
NO Capital Gain



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INVESTMENT EXAMPLE

Investor Exits in YR 10

**New
Gain
\$483,576**

**Original
Capital
\$500,000**

Investment Now Worth \$983,576

Investor Summary

| | |
|--------------------------|-----------|
| Original Investment | \$500,000 |
| Investment Value At Exit | \$983,576 |

Minus:

| | |
|---------------------------|-------------|
| Tax on Initial Capital | <\$101,150> |
| <u>NO Tax</u> on New Gain | |

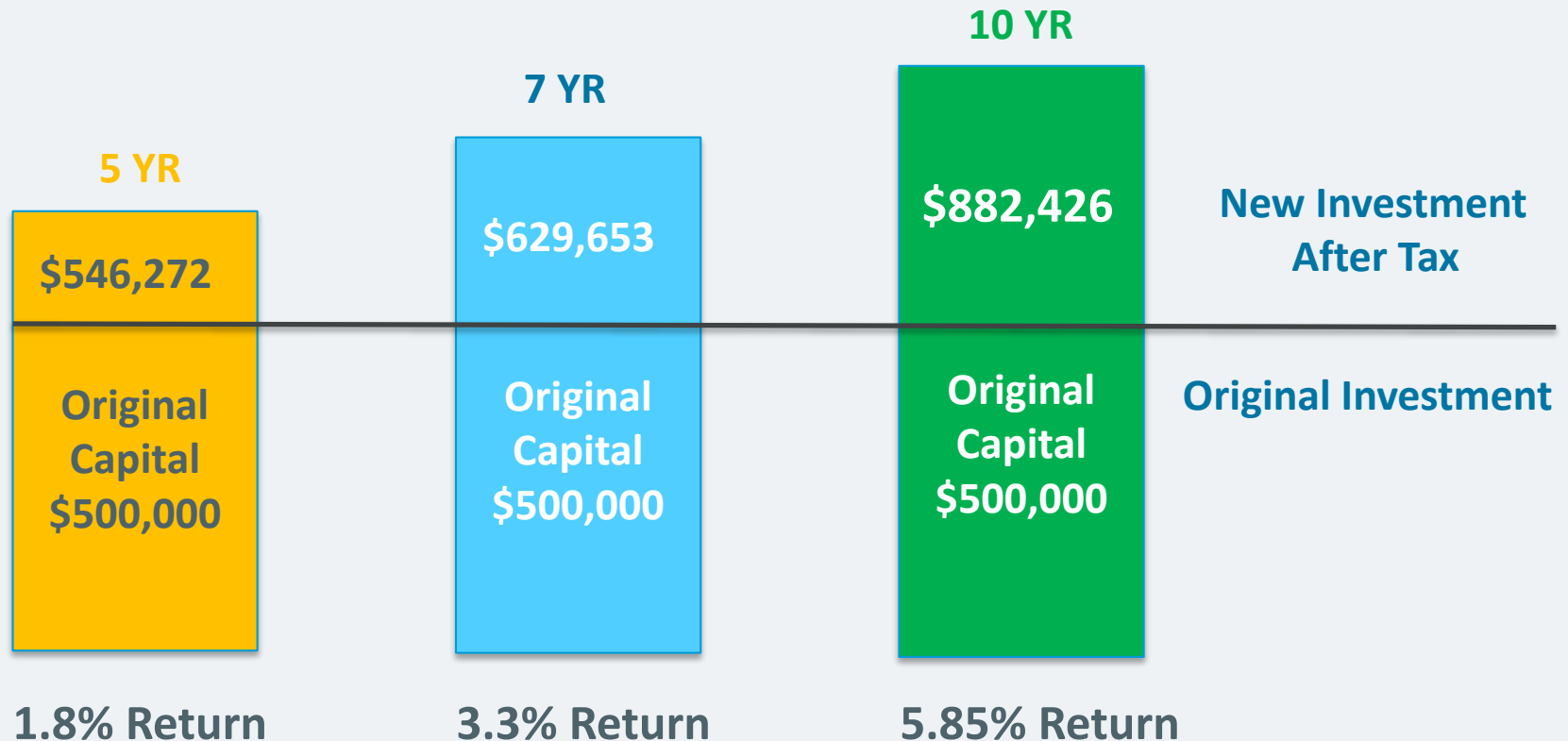
| | |
|-----------------------------|-----------|
| Investor Funds – After Tax | \$882,426 |
| Investor Return – After Tax | 5.85% |



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INVESTMENT EXAMPLE

Investor Summary



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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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