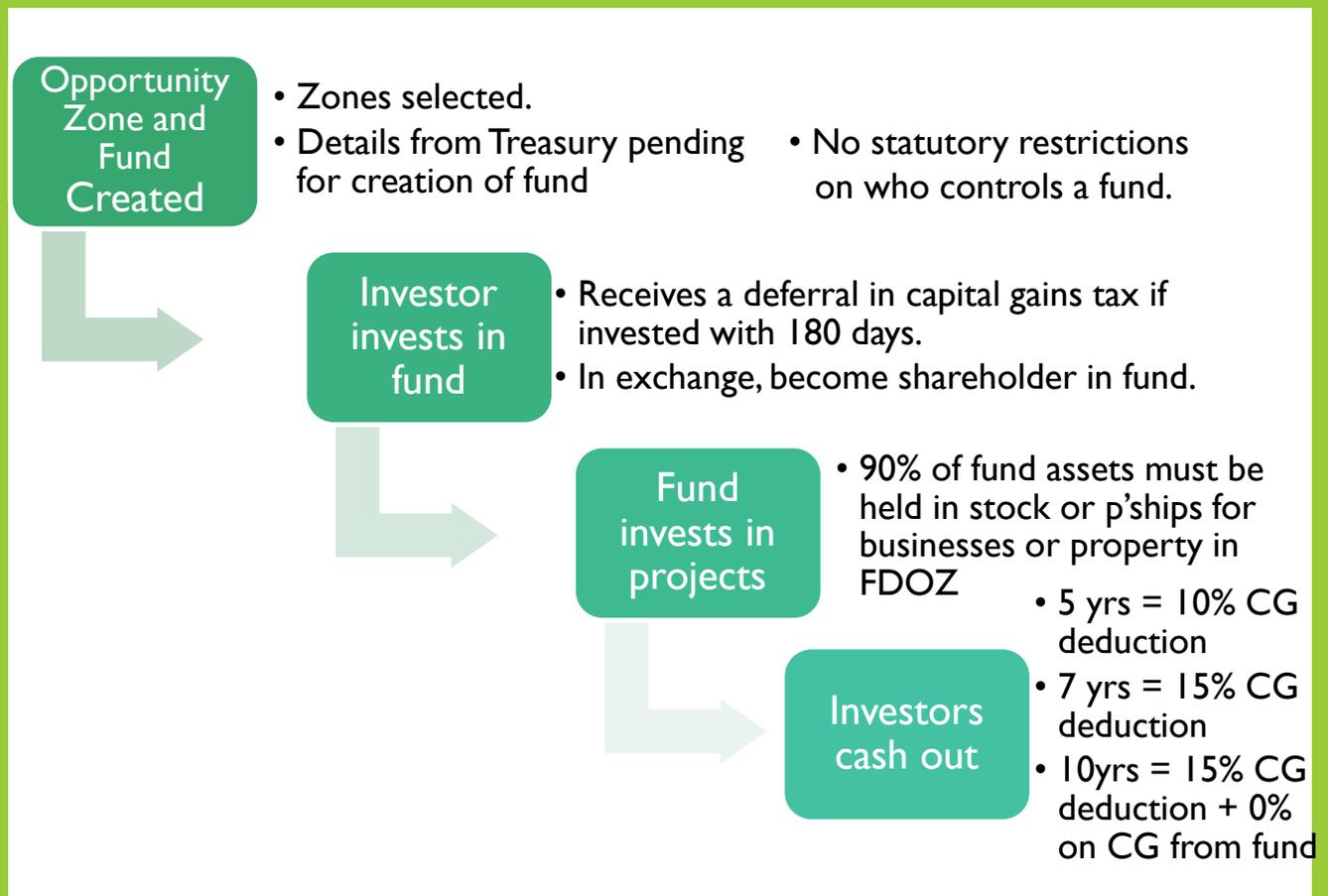


# Federal Opportunity Zones

## BACKGROUND

- Authorized under the Tax Cuts and Jobs Act (2017)
- Goal: reinvesting funds in underdeveloped areas
- Governor submit targeted high poverty/low median income census tracts to be possibly classified as designated federal opportunity zones

## PROCESS



## INVESTMENT OPPORTUNITIES

- Affordable housing
- Real estate
- Infrastructure
- Transit
- Existing business expansion
- Start-up capital

# Federal Opportunity Zones

## INVESTMENT OPPORTUNITIES CONTINUED

A Qualified Opportunity Zone Business (“QOZB”) is a business in which “substantially all” of its tangible property:

- Was acquired after 2017 (making investments in existing businesses trickier);
- Either (i) experienced its original use with the QOZB or (ii) was “substantially improved” by the QOZB;
- Was used in an Opportunity Zone during “substantially all” of the QOZB’s ownership of the property.
- must derive at least 50% of total gross income from the active conduct of business in an Opportunity Zone. (Further clarified in detail.)

### CANNOT FUND

- Private or commercial golf course,
- Country club,
- Massage parlor
- Hot tub facility
- Suntan facility
- Racetrack or other gambling facility
- Any store with off premises alcohol consumption as principal business

Other than the restrictions discussed above, there is no limitation on asset classes into which OZ Funds can make investments.

## INVESTOR BENEFIT

The example below illustrates the difference in returns for an investor investing \$500 in existing gains into an Opportunity Zone fund vs a traditional investment. This example assume 7% average yearly return at a typical 15% CG rate.

### TRADITIONAL INVESTMENT

Year 0 \$425

- The initial \$500 is taxed at 15% leaving \$425 to be invested in a fund.

Year 5 \$554

- If you sell at year 5, your \$425 investment has grown to \$596. After 15% capital gains, you’ll keep \$554.

Year 7 \$627

- If you sell at year 5, your \$425 investment has grown to \$682. After 15% capital gains, you’ll keep \$627.

Year 10+ \$758

- If you sell at year 7, your \$425 investment has grown to \$836. After 15% capital gains, you’ll keep \$758.

### OZ FUND

Year 0 \$500

- Capital gains on your initial \$500 is deferred if invested, so all \$500 goes into the fund.

Year 5 \$604

- If you sell now, your \$500 investment has grown to \$701. Your \$201 gains from the fund are taxed at 15%, while your initial \$500 is at 13.5%. After taxes, you’ll keep \$604.

Year 7 \$694

- If you sell now, your \$500 investment has grown to \$803. Your \$303 gains from the fund are taxed at 15%, while your initial \$500 is at 12.75%. After taxes, you’ll keep \$694.

Year 10+ \$920

- If you sell now, your \$500 investment has grown to \$984. Your \$484 gains from the fund are not taxed, while your initial \$500 is at 12.75%. After taxes, you’ll keep \$920.