

Opportunity Zones

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Tax Benefits of the Opportunity Zone Incentive

Taxpayers can get
capital gains
tax deferral
(& more)



*for making
timely
investments in*

Qualified
Opportunity Funds
(QOFs)



*which
invest in*

Qualified
Opportunity Zone
Property



3 Tax Incentive Benefits

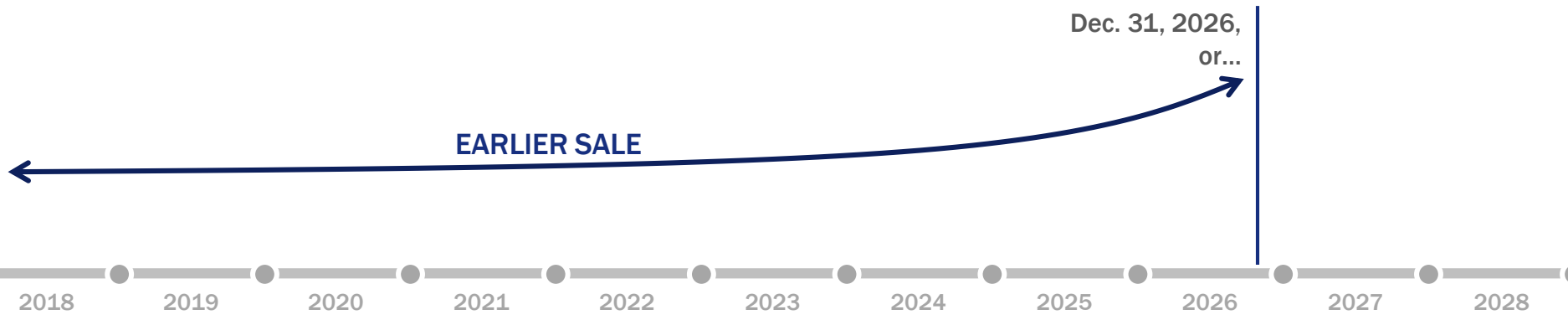
1. Gain
Deferral

2. Partial
forgiveness

3. Forgiveness of
additional gains

Period of Deferral

The period of capital gain tax deferral ends upon the earlier of:



Amount Recognized

THE LESSER OF:

1. Amount of gain deferred
or
2. The fair market value of investment in QOF interest

MINUS:

Taxpayer's basis in the QOF interest

Note: The taxpayer's outside basis in the Opportunity Fund is initially deemed to be zero.

Jan. 2, 2018

Taxpayer enters into a sale that generates \$1M of capital gain

June 30, 2018

(Within 180 days), Taxpayer contributes entire \$1M of capital gain to a Qualified Opportunity Fund

- Taxpayer is deemed to have a \$0 basis in its QOF investment
- QOF Invests the \$1MM in Qualified Opportunity Zone Property

2018

2019

2020

2021

2022

2023

June 30, 2023
(After 5 years),
Taxpayer's basis in
investment in QOF
increases from \$0 to
\$100k

June 30, 2025
(After 7 years),
Taxpayer's basis in
investment in QOF
increases from \$100k to
\$150k

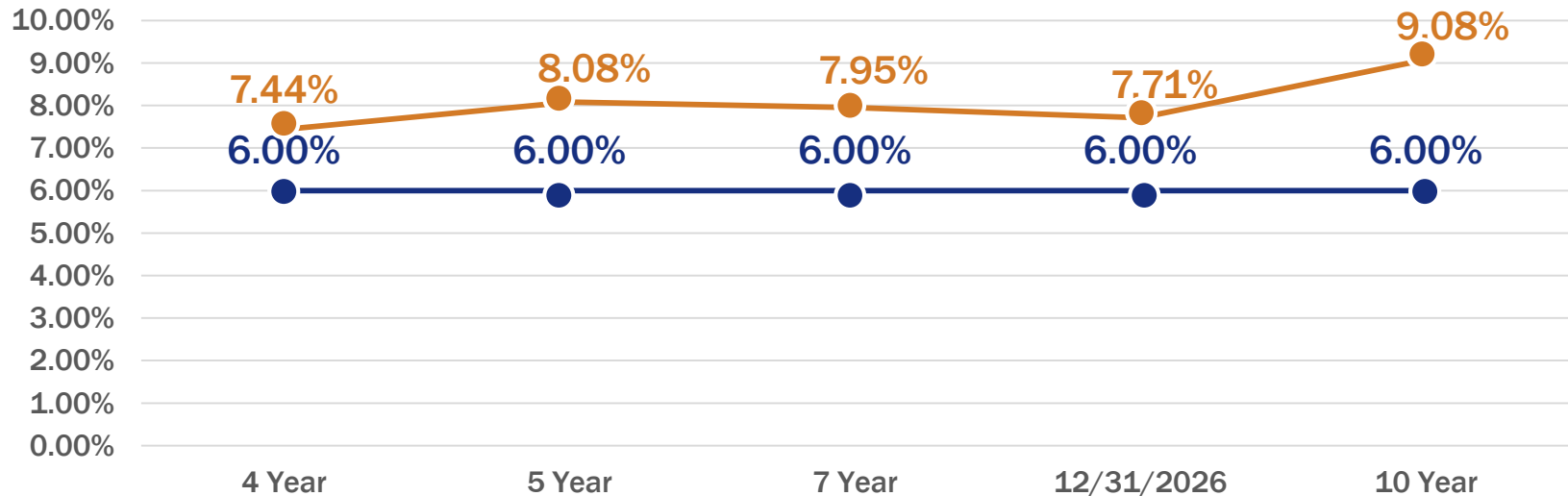
Dec. 31, 2026
\$850K of the 1MM
of deferred capital
gains are taxed and
the basis in QOF
investment increases
to \$1MM.

June 30, 2028
(after 10 years) ,
Taxpayer sells its
investment for
\$2.0MM. Basis in the
investment is
deemed to be FMV.
The effect is no tax
on appreciation in
investment.



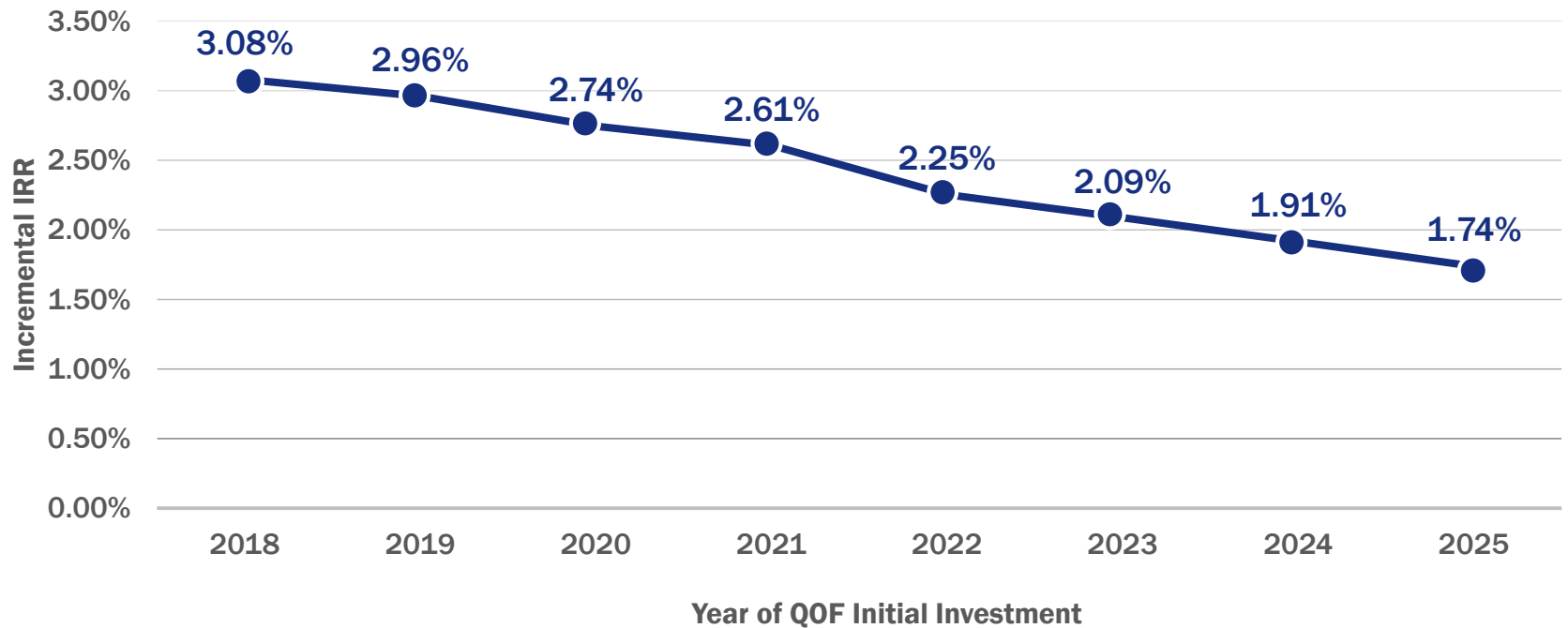
Opportunity Zone Incremental Benefit

— Standard After Tax IRR — Total IRR



23.8% Tax Rate	4 Year	5 Year	7 Year	12/31/2026	10 Year
Standard After Tax IRR	6.00%	6.00%	6.00%	6.00%	6.00%
Incremental OZ Benefit	1.44%	2.08%	1.95%	1.71%	3.08%
OZ Investment IRR	7.44	8.08%	7.95%	7.71%	9.08%
Percentage Increase		35%	32%	29%	51%

Perishability of Incentives



State Tax Implications

- **Opportunity Zone benefits increase if states conform to the Federal Law**
- **Some states piggy-back off of the current Federal Law but could decouple from OZs**
 - New York decided not to decouple
 - Hawaii decided to decouple
 - North Carolina released a draft bill that would decouple
- **Some states do not conform to Federal Law but could add OZs at the state level**
 - Colorado is considering a bill to add the OZ benefit at the state level
- **Some states do not have a state income tax (e.g. Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming).**
- **State Tax Implications of an single OZ transaction may include multiple states**
 - State where original gain was realized
 - State (s) where the opportunity fund has nexus
- **Some states are tying other State incentives to opportunity zones**
 - Missouri proposed increased cap for state historic credits for properties in OZs
 - California introduced a bill to exempt projects in OZs from the CA Environmental Quality Act

Opportunity Zones Resource Center

News

Opportunity Zones Basics

Guidance and Tools

- State Information

Novogradac Opportunity Zones Mapping Tool

State Tax Code Conformity - Corporate Income

State Tax Code Conformity - Personal Income

Legislation

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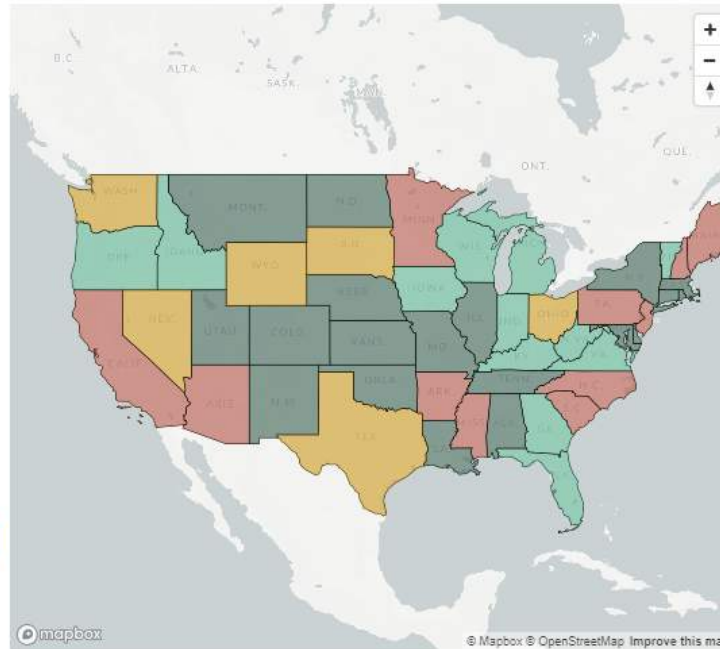
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State Tax Code Conformity - Corporate Income

A state's conformity with the federal opportunity zones provisions is an important factor investors should consider. Investors in states that do conform with the federal opportunity zones provisions may receive state tax incentives similar to those available at the federal level. Conversely, investors residing in nonconforming states may be unable to defer and reduce state taxation on the initial gains invested in opportunity zones. Investors in these nonconforming states may also be required to recognize gain for state tax purposes on their eventual sale of the opportunity fund investment.

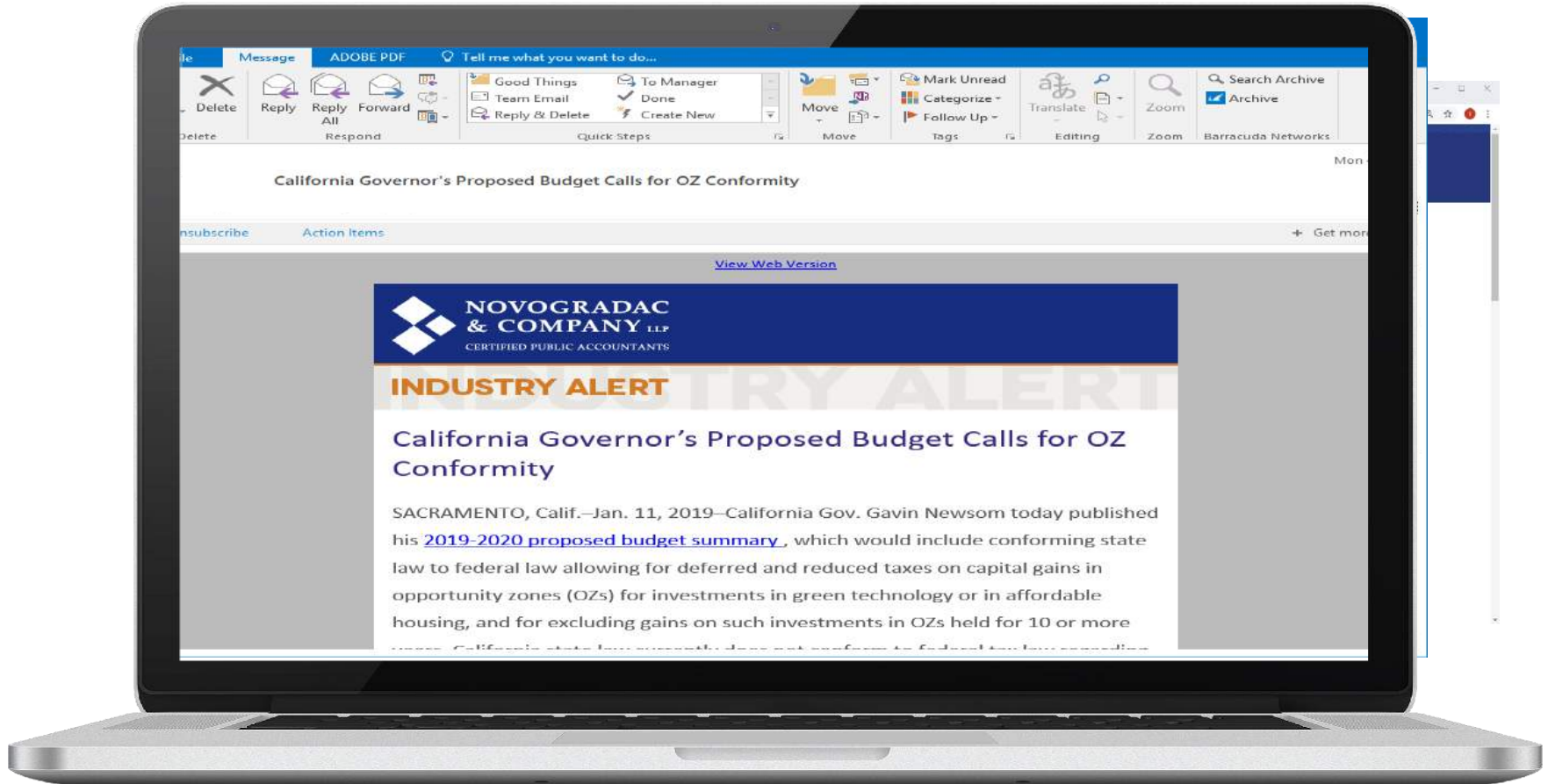


Legend

■	Conforming - Rolling: The state automatically conforms to the current IRC as it is amended.
■	Conforming - Fixed Date: The state conforms to the IRC as of a specific date that is after the enactment of the Opportunity Zones legislation.
■	No Capital Gains: The state has no state income tax or generally does not tax capital gains.
■	Nonconforming: The state conforms to the IRC as of specific date prior to the enactment of the Opportunity Zones legislation or the state has specifically decoupled from the Opportunity Zones

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Readily Identifiable Investment Types in Opportunity Zones



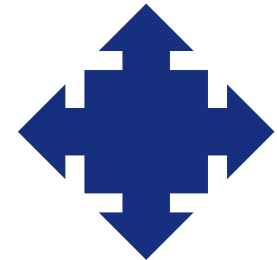
Commercial Real Estate Development and Renovation in Opportunity Zones



Opening New Businesses in Opportunity Zones



Expansion of Existing Businesses into Opportunity Zones



Large Expansions of Businesses already within Opportunity Zones

QOZB: Excluded Businesses

Can't be a "Sin Business"

A private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

Additional Opportunity Zone Resources

- California Opportunity Zone website
 - <https://opzones.ca.gov/>
- Economic Innovation Group
 - <https://eig.org/opportunityzones>
- Novogradac Opportunity Zone Resource Center
 - <https://www.novoco.com/resource-centers/opportunity-zones-resource-center>
- Enterprise Community Partners – Opportunity360
 - <https://www.enterprisecommunity.org/opportunity360>
- Novogradac Industry Alert emails
- Novogradac Opportunity Zones Working Group

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