

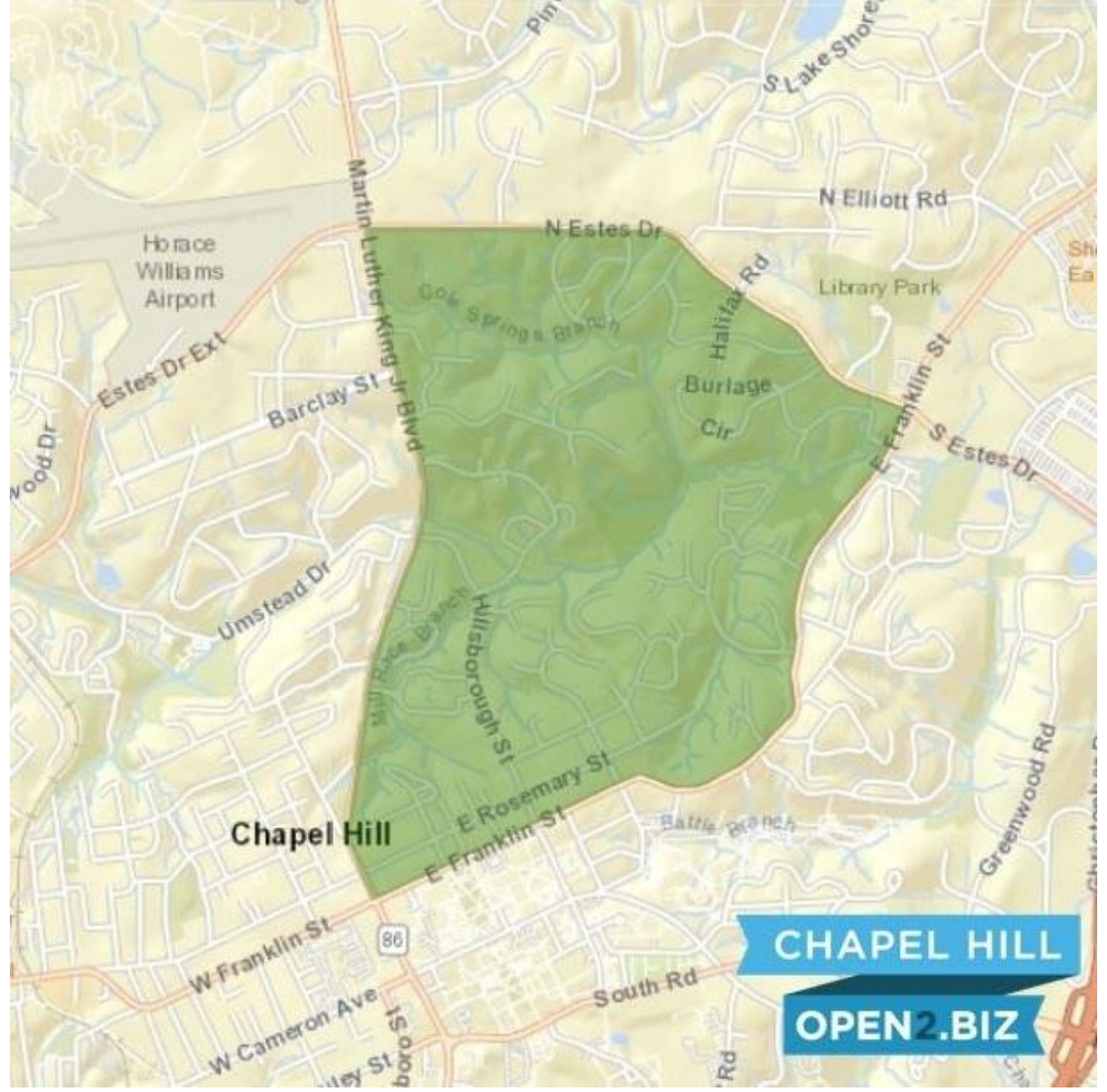
Opportunity Zone

CHAPEL HILL

OPEN2.BIZ

Opportunity Zone selection:

OZs are low-income community census tracts, as originally established under the New Markets Tax Credit program and confirmed by the Treasury Dept. to be use for this program.






Opportunity Zone

**A complex investment opportunity that
requires planning and fund development.**

Opportunity Zone

- Opportunity Zones were added to the tax code by the Tax Cuts and Jobs Act on December 22, 2017. They are designed to spur economic development by providing tax benefits to investors.
- **First**, investors can defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF) until the earlier of the date on which the investment in a QOF is sold or exchanged, or December 31, 2026.
- If the QOF investment is held for longer than 5 years, there is a 10% exclusion of the deferred gain. If held for more than 7 years, the 10% becomes 15%.
- **Second**, if the investor holds the investment in the Opportunity Fund for at least ten years, the investor is eligible for an increase in basis of the QOF investment equal to its fair market value on the date that the QOF investment is sold or exchanged.

Interim Deferral	Increase in Basis	Exclusion
<p>Corporations and individuals can elect to defer paying tax until December 31, 2026, on capital gains invested into an Opportunity Fund.</p>	<p>If capital gains invested in an Opportunity Fund are held at least 5 years, 90% of deferred gain is taxed.</p> <p>If the investment is held at least 7 years, 85% of deferred gain is taxed.</p>	<p>If the capital gains invested in an Opportunity Fund are held for at least 10 years, the gain on the investment (but not the deferred gain) is not taxable upon election by the taxpayer.</p>
		

Tax Incentive Benefits – How the deferral works

- 1.** Deferral of Gain
- 2.** Partial Forgiveness of Deferred Gain
- 3.** Forgiveness of Additional Gains

- Time value of money – earlier of:
 - Date the investment is sold or exchanged; or
 - December 31, 2026
- Gain recognition
 - Amount of gain (or FMV)
 - less: the taxpayer's basis in the fund
- Partial Forgiveness of Gain – Step up in basis
 - 5 year (10%)
 - 7 year (15%)
- Forgiveness of additional gain
 - Timing – 10 years
 - Basis

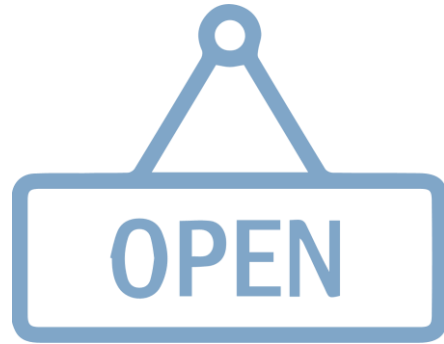
Opportunity Zone

TRADITIONAL PORTFOLIO INVESTMENT		OPPORTUNITY ZONE INVESTMENT	
Original Gain: \$200,000 MFJ Tax Rate of 37% 10% Annual Appreciation		Original Gain \$200,000 MFJ Tax Rate of 37% 10% Annual Appreciation	
Original Gain	\$200,000	Original Gain	\$200,000
Tax On Gain in Year of Sale	37%	Tax On Gain in Year of Sale	0%
Tax Paid on Original Gain	\$74,000	Tax Paid on Original Gain	\$0
Amount Reinvested	\$126,000	Amount Reinvested	\$200,000
Value after 10 years	\$326,812	Value after 10 years	\$518,748
Less Tax on Appreciation	\$74,300	Less Tax on Appreciation	\$0
Net Return	\$252,512	Tax on Deferred Gain (37%)	
		After 15% Step-Up in Basis	\$62,900
		Net Return	\$455,848

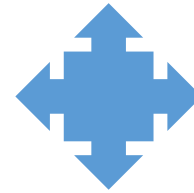
Readily Identifiable Investment Types in Opportunity Zones



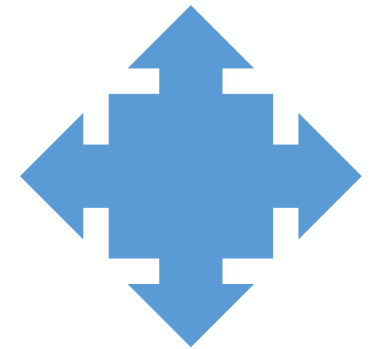
Commercial Real Estate
Development and Renovation
in Opportunity Zones



Opening New
Businesses in
Opportunity Zones

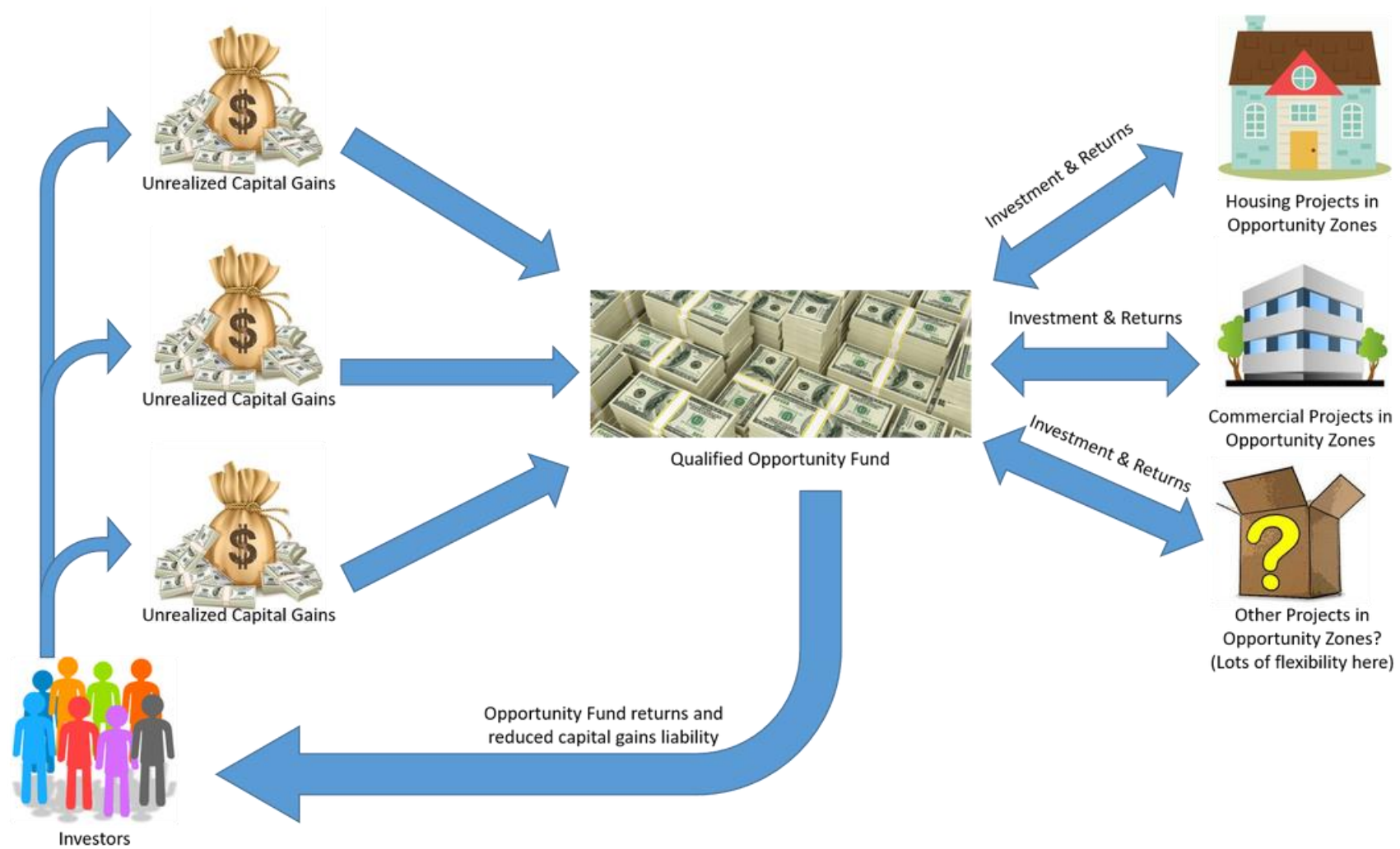


Expansion of Existing
Businesses into
Opportunity Zones



Large Expansions of
Businesses already within
Opportunity Zones

Opportunity Zone



Links:

- Town Opportunity Zone web page: <https://www.open2.biz/opportunity-zone>
- The [list of North Carolina Opportunity Zones](#) can be downloaded at this link
- The Department of Commerce has published a website public.nccommerce.com/oz/ offering more information.
- IRS: <https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>