

Investing in Opportunity Zones

for the City of Norfolk Opportunity Zone Day

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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

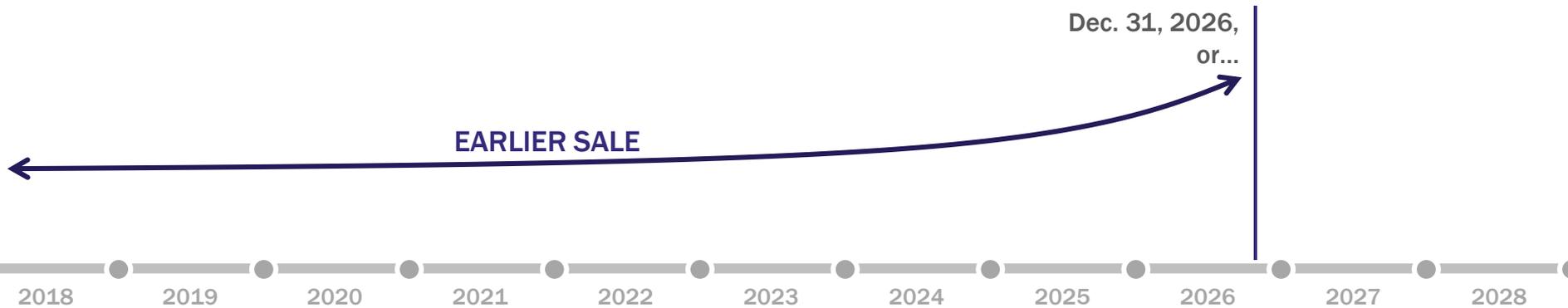
1. ■ Gain
Deferral

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:

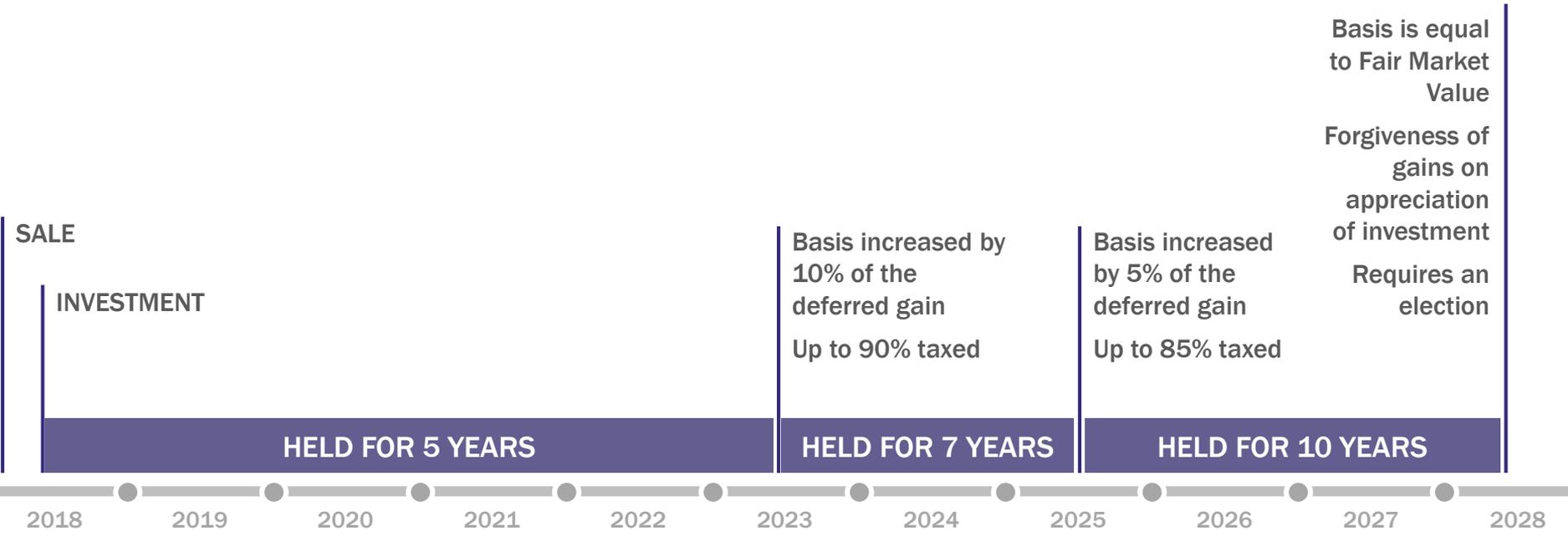
1. Amount of gain deferred
or
2. The fair market value of investment in QOF interest

MINUS:

Taxpayer's basis in the QOF interest

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

Partial Forgiveness and Forgiveness of Additional Gains



Sample Investment

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

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Sample Investment

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

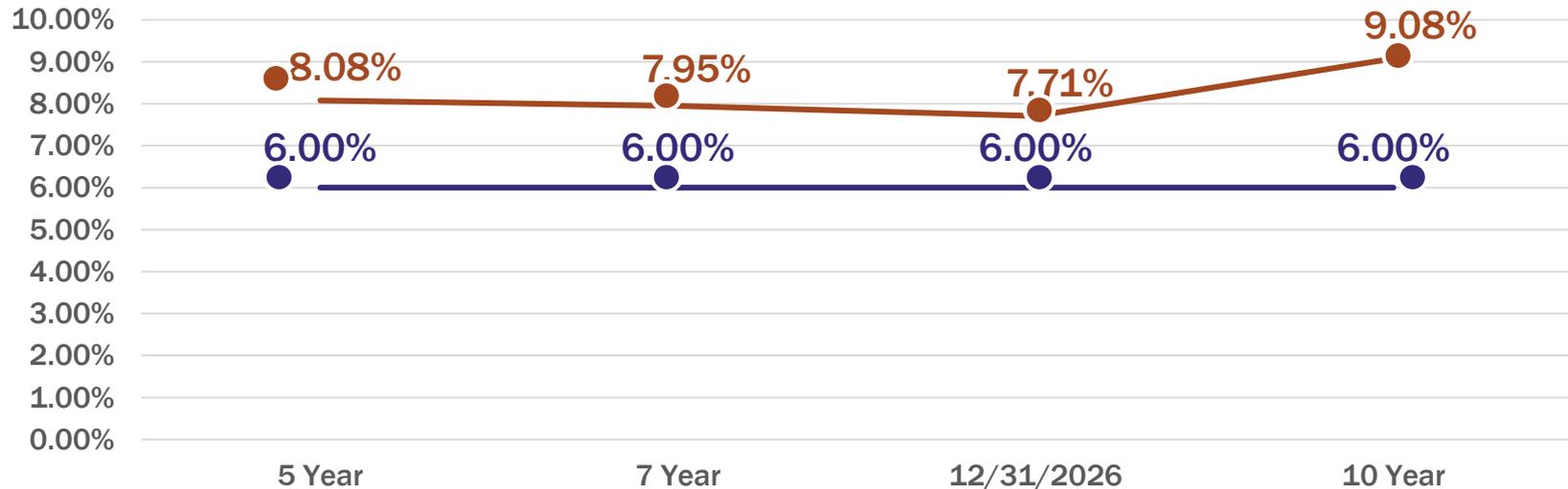
Dec. 31, 2026
\$850K of the 1MM
of deferred capital
gains are taxed and
the basis in QOF
investment increases
to \$1MM.

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

Combining with Other Tax Incentives



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