

Opportunity Zone Financial Examples

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Opportunity Zone Example Programs and Assumptions

Programs:

Five-year deferral and 10% basis point reduction

Seven-year deferral and 15% basis point reduction

Ten-year tax exemption on subsequent capital gains

Ten year tax exemption on subsequent capital gains and
five-year 10% basis point reduction deferral

Ten-year tax exemption on subsequent capital gains
and seven-year 15% basis point reduction deferral

Tax Incentive Assumptions:

\$1.0 million investment

Annual 5% ROI on \$1.0 million investment

Capital gain tax rate remains 15% and 20%

Opportunity Zone Programmatic Investment Example Comparison

\$1.0 million Programmatic Investment Comparison			
<i>Deferral and Exemption Incentive Program Options</i>	<i>Average Annual ROI Growth Rate</i>	<i>Total \$1.0 million Net Capital Gain</i>	<i>Total Incentive Benefit \$1.0 million Investment</i>
<i>5 Year Deferral</i>	0.40% - 1.55%	\$20,000 - \$77,500	\$15,000 - \$20,000
<i>7 Year Deferral</i>	1.57% - 2.43%	\$110,000 - \$170,000	\$22,500 - \$30,000
<i>10 Year Exemption</i>	3.00% - 3.50%	\$300,000 - \$350,000	\$75,000 - \$100,000
<i>10 Year Exemption and 5 Year Deferral</i>	3.20% - 3.65%	\$320,000 - \$365,000	\$90,000 - \$120,000
<i>10 Year Exemption and 7 Year Deferral</i>	3.30% - 3.73%	\$330,000 - \$372,500	\$97,500 - \$130,000

Assumption: Capital growth rate on the original \$1.0 investment is \$50,000 per annum

Opportunity Zone Example Comparison

Normalized vs Incentivized Investment

\$1.0 million Programmatic vs Normal Investment Example Comparison

<i>Deferral and Exemption Incentive Program Options</i>	<i>Average Annual ROI Growth Rate</i>		<i>Total \$1.0 million Net Capital Gain</i>		<i>Total Incentive Benefit \$1.0 million Investment</i>	
	<i>Normal</i>	<i>Benefit</i>	<i>Normal</i>	<i>Benefit</i>	<i>Normal</i>	<i>Benefit</i>
<i>5 Year Deferral</i>	1.25%	1.55%	\$62,500	\$77,500	\$0	\$20,000
<i>7 Year Deferral</i>	2.11%	2.43%	\$147,500	\$170,000	\$0	\$30,000
<i>10 Year Exemption</i>	2.75%	3.50%	\$275,000	\$350,000	\$0	\$100,000
<i>10 Year Exemption and 5 Year Deferral</i>	2.75%	3.65%	\$275,000	\$365,000	\$0	\$120,000
<i>10 Year Exemption and 7 Year Deferral</i>	2.75%	3.73%	\$275,000	\$372,500	\$0	\$130,000

Assumption: Capital growth rate on the original \$1.0 investment is \$50,000 per annum

Five-Year \$1 million Deferral Investment Example

Calculations intended as examples only	Federal Capital Gain Taxes			\$1.0 mm Investment after 5-Year Deferral		\$250,000 Capital Gain		
	Without Incentive	With Incentive	Incentive Benefit	Without Incentive	With Incentive	Capital Gain	Capital Gain Tax	Net Gain
	<i>Tax Bracket</i>							
35% Bracket or lower (rate 15%)	\$150,000	\$135,000	\$15,000	\$850,000	\$865,000	\$250,000	\$37,500	\$212,500
39.6% Bracket or higher (rate 20%)	200,000	180,000	20,000	800,000	820,000	250,000	50,000	200,000
			ROI Growth		5-Year ROI Growth Rate			
35% Bracket or lower (rate 15%)			\$62,500	\$77,500	6.25%	7.75%		
39.6% Bracket or higher (rate 20%)			-	20,000	0.00%	2.00%		

Five-Year Investment	\$1,000,000
10% Basis Point Reduction	100,000
Incentivized Taxable Amount	900,000
Capital Gain after Five Years	250,000
Taxable Gain	\$1,150,000

Opportunity Zone Five-Year Deferral

10% capital gain basis point reduction

- Defers tax five years

Investment deadline is December 31, 2021

Deferral ROI example:

- Capital gain incentive benefit \$15,000 - \$20,000 per \$1.0 million invested
- Post-deferral incentivized net capital gain \$20,000 - \$77,500 per \$1.0 million invested
- Capital investment ROI rate (incentivized vs. normal) 2.00% - 7.75% versus 0.00% - 6.25%

Seven-Year \$1 million Deferral Investment Example

Calculations intended as examples only	Federal Capital Gain Taxes			\$1.0 mm Investment after 7-Year Deferral		\$350,000 Capital Gain		
	Without Incentive	With Incentive	Incentive Benefit	Without Incentive	With Incentive	Capital Gain	Capital Gain Tax	Net Gain
	<i>Tax Bracket</i>							
35% Bracket or lower (rate 15%)	\$ 150,000	\$ 127,500	\$ 22,500	\$ 850,000	\$ 872,500	\$ 350,000	\$ 52,500	\$ 297,500
39.6% Bracket or higher (rate 20%)	200,000	170,000	30,000	800,000	830,000	350,000	70,000	280,000
			ROI Growth		7-Year ROI Growth Rate			
			Without Incentive	With Incentive	Without Incentive	With Incentive		
35% Bracket or lower (rate 15%)			\$ 147,500	\$ 170,000	14.75%	17.00%		
39.6% Bracket or higher (rate 20%)			80,000	110,000	8.00%	11.00%		

<i>Seven-Year Investment</i>	\$1,000,000
<i>15% Basis Point Reduction</i>	150,000
<i>Incentivized Taxable Amount</i>	850,000
<i>Capital Gain after Seven Years</i>	350,000
<i>Taxable Gain</i>	\$1,200,000

Opportunity Zone Seven-Year Deferral

15% capital gain basis point reduction

- Defers tax seven years

Investment deadline is December 31, 2019

Deferral ROI example:

- Capital gain incentive benefit \$ 22,500 - \$ 30,000 per \$1.0 million invested
- Post-deferral incentivized net capital gain \$110,000 - \$170,000 per \$1.0 million invested
- Capital investment ROI rate (incentivized vs. normal) 11.00% - 17.00% versus 8.00% - 14.75%

Ten-Year \$1 million Exemption Investment Example

Calculations intended as examples only

Tax Bracket

	Federal Capital Gain Tax	Net \$1.0 million Gain	\$500,000 Capital Gain		ROI Growth		
			Capital Gain	Capital Gain Tax	Without Incentive	With Incentive	Incentive Benefit
35% Bracket or lower (rate 15%)	\$150,000	\$ 850,000	\$ 500,000	\$75,000	\$ 425,000	\$ 500,000	\$ 75,000
39.6% Bracket or higher (rate 20%)	200,000	800,000	500,000	100,000	400,000	500,000	100,000
			Net Gain		Net 10-Year Return Rate		
			Without Incentive	With Incentive	Without Incentive	With Incentive	
35% Bracket or lower (rate 15%)			\$ 275,000	\$ 350,000	27.50%	35.00%	
39.6% Bracket or higher (rate 20%)			200,000	300,000	20.00%	30.00%	

Ten-Year Investment	\$1,000,000
Capital Gain after Ten Years	500,000
Investment + Capital Gain	\$1,500,000

Opportunity
Zone
Ten-Year
Exemption

Exempts capital gains attributable to reinvestment

Investment deadline is December 31, 2026

Deferral ROI example:

- Capital gain incentive benefit \$ 75,000 - \$100,000 per \$1.0 million invested
- Post-exemption incentivized net capital gain \$300,000 - \$350,000 per \$1.0 million invested
- Net incentivized capital gain return rate 35.00% - 30.00% versus 20.00% - 27.50%



Ten-Year \$1 million Exemption & Five-Year Deferral Example

Calculations intended as examples only	Federal Capital Gain Taxes			\$1.0 mm Investment after 5-Year Deferral		\$500,000 Net Capital Gain without Incentive		
	Without Incentive	With Incentive	Incentive Benefit	Without Incentive	With Incentive	Capital Gain	Capital Gain Tax	Net Gain
	<i>Tax Bracket</i>							
35% Bracket or lower (rate 15%)	\$150,000	\$135,000	\$15,000	\$850,000	\$865,000	\$500,000	\$75,000	\$425,000
39.6% Bracket or higher (rate 20%)	200,000	180,000	20,000	800,000	820,000	500,000	100,000	400,000
		Incentive Benefit	ROI Growth		10-Year ROI Growth Rate			
35% Bracket or lower (rate 15%)		\$90,000	\$275,000	\$365,000	27.50%	36.50%		
39.6% Bracket or higher (rate 20%)		120,000	200,000	320,000	20.00%	32.00%		

Ten-Year Investment	\$1,000,000
10% Basis Point Reduction	100,000
Incentivized Taxable Amount	\$900,000
Capital Gain after Ten Years	500,000
Investment + Capital Gain	\$1,500,000

Opportunity Zone Ten-Year Exemption and Five-Year Deferral

Exempts capital gains attributable to reinvestment and defers capital gain for five years

Investment deadline is December 31, 2021

Deferral ROI example:

- Capital gain incentive benefit \$90,000 - \$120,000 per \$1.0 million invested
- Post-exemption incentivized net capital gain \$320,000 - \$365,000 per \$1.0 million invested
- Net incentivized capital gain return rate 32.00% - 36.50 versus 20.00% - 27.50%



Ten-Year \$1 million Exemption & Seven-Year Deferral Example

Tax Bracket	Federal Capital Gain Taxes			\$1.0 mm Investment after 7-Year Deferral		\$500,000 Net Capital Gain Calculations intended as an example only		
	Without Incentive	With Incentive	Incentive Benefit	Without Incentive	With Incentive	Capital Gain	Capital Gain Tax	Net Gain
35% Bracket or lower (rate 15%)	\$150,000	\$127,500	\$22,500	\$850,000	\$872,500	\$500,000	\$75,000	\$425,000
39.6% Bracket or higher (rate 20%)	200,000	170,000	30,000	800,000	830,000	500,000	100,000	400,000
		Incentive Benefit	ROI Growth			10-Year ROI Growth Rate		
35% Bracket or lower (rate 15%)		\$97,500	\$275,000	\$372,500	27.50%	37.25%		
39.6% Bracket or higher (rate 20%)		130,000	200,000	330,000	20.00%	33.00%		

Ten-Year Investment	\$1,000,000
15% Basis Point Reduction	150,000
Incentivized Taxable Amount	\$850,000
Capital Gain after Ten Years	500,000
Investment + Capital Gain	\$1,500,000

Opportunity Zone Ten-Year Exemption and Seven-Year Deferral

Exempts capital gains attributable to reinvestment and defers capital gain for seven years

Investment deadline is December 31, 2019

Deferral ROI example:

- Capital gain incentive benefit \$ 97,500 - \$130,000 per \$1.0 million invested
- Post-exemption incentivized net capital gain \$330,000 - \$372,500 per \$1.0 million invested
- Net incentivized capital gain return rate 33.00% - 37.25 versus 20.00% - 27.50%

