

Opportunity Zones

For More Info, including links to IRS FAQs, visit:

www.rockhillopportunityzones.com



What are Opportunity Zones?

- Opportunity Zones are a new community development program - **introduced by Sen. Tim Scott** – and established by Congress as a part of the Tax Cuts and Jobs Act of 2017
- Designed to **encourage long-term private investments in low-income communities.**
- **Provides a federal tax incentive** for taxpayers who reinvest unrealized capital gains into "Opportunity Funds," which are specialized vehicles dedicated to investing in low-income areas called "Opportunity Zones."
- The **zones are to be comprised of low-income community census tracts** and designated by governors in every state.



Opportunity Zone Focus Areas

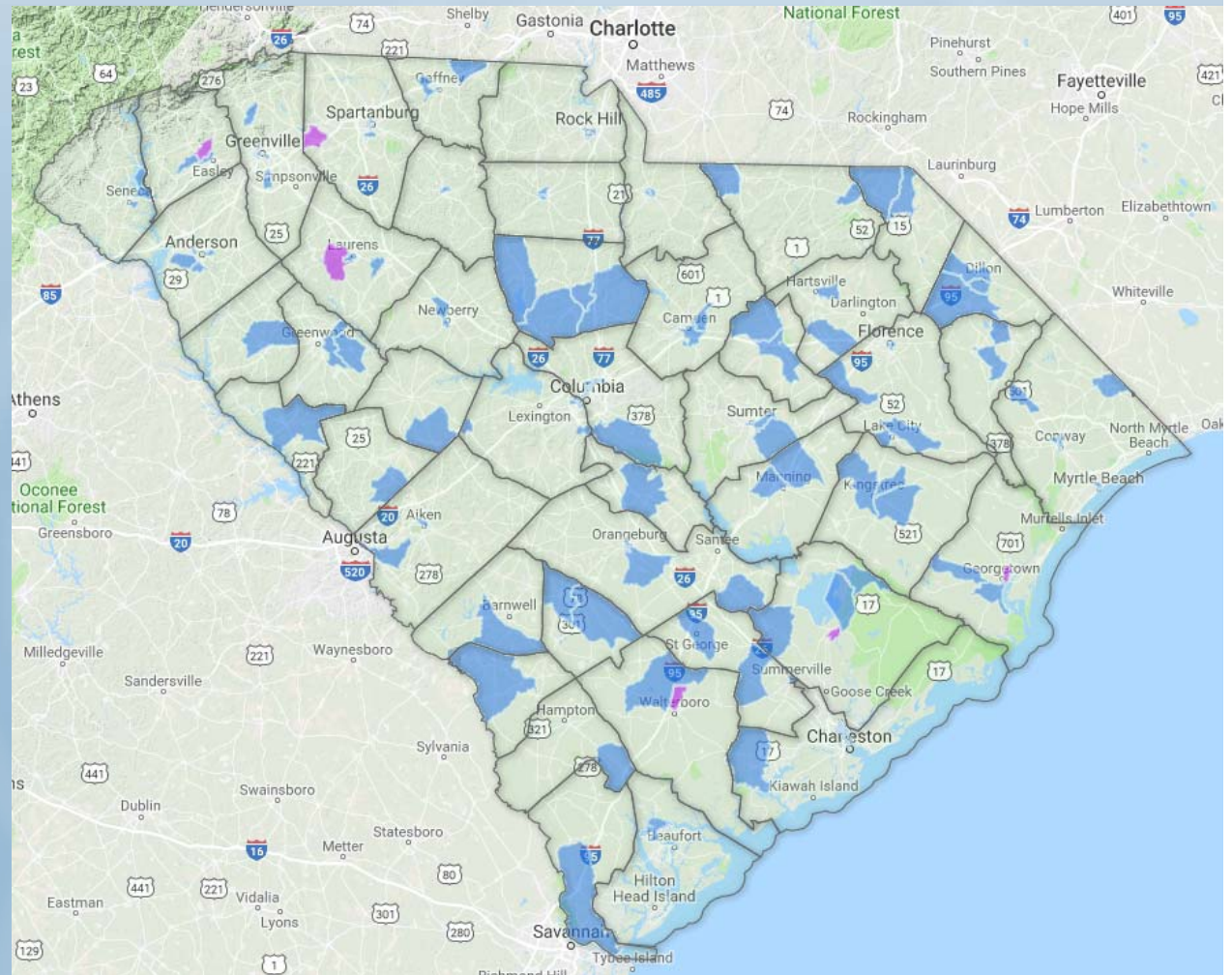
- **Promoting economic vitality** in parts of the state that have not shared in the general prosperity over the past few years
- **Funding the development of workforce and affordable housing** in areas with escalating prices and inventory shortages
- **Funding new infrastructure** to support population and economic growth
- **Investing in startup businesses** who have potential for rapid increases in scale
- **Upgrading the capability of existing underutilized assets** through capital improvement investments

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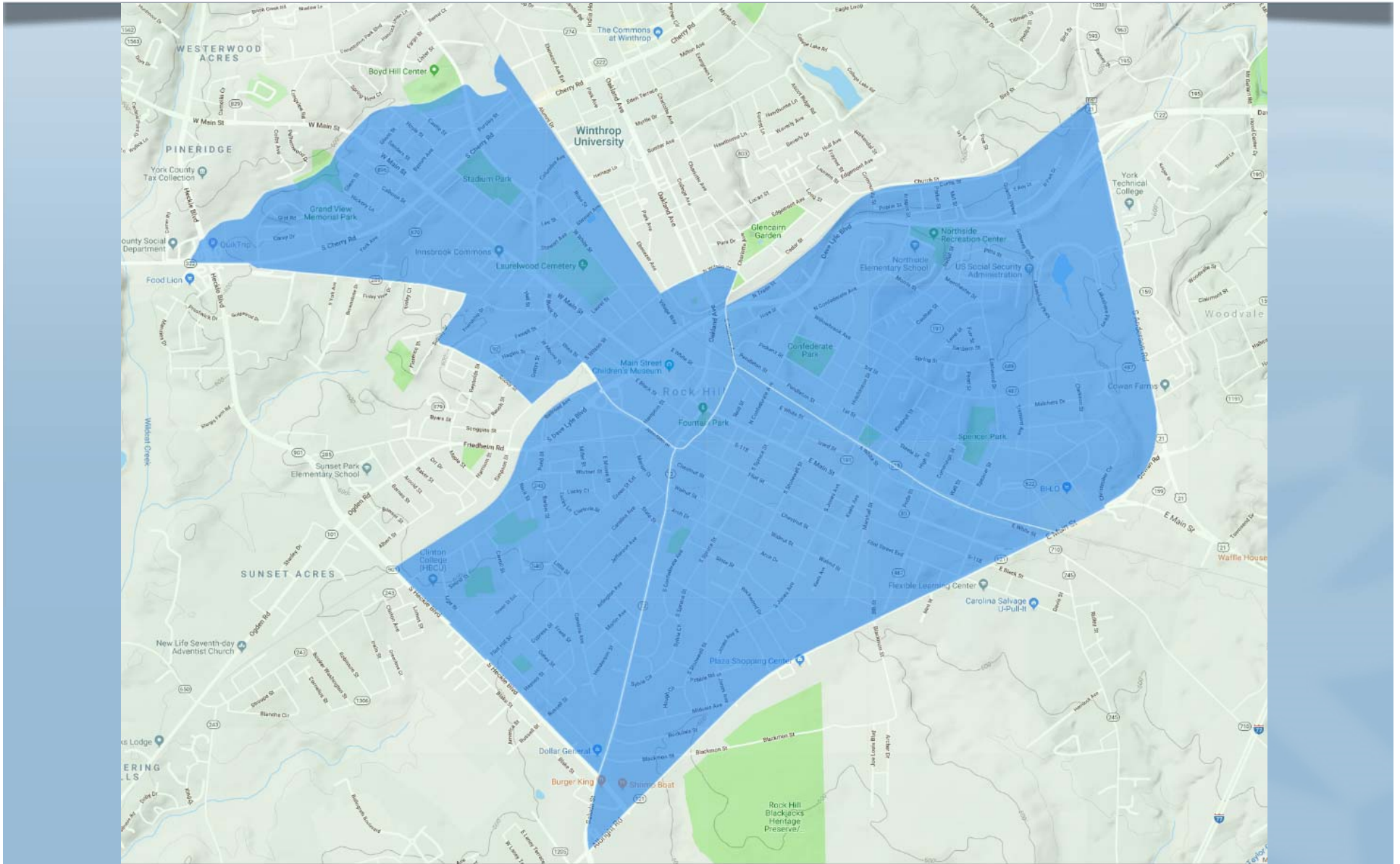
How are OZs determined?

In South Carolina,
we have **1,097**
census tracts

- **538** were eligible to be submitted
- Submitted **135** tracts to US Treasury
 - 128 Low Income Community tracts
 - 7 eligible contiguous tracts



Rock Hill Opportunity Zones



How will this work?

- **IRS is still writing the rules**
- Expectations:
 - Capital gains from the sale of an investment (stocks, real estate, business etc.) will have six months to be invested in an opportunity fund
 - Any corporation or partnership will be able create an opportunity fund
 - Do not expect a minimum or maximum amount that can go into the fund
 - The fund will have six months to invest 90% of the funds assets into projects located in Opportunity Zones

Why would I do this?

- Capital gains will be deferred either until the sale of the new investment or until December 31, 2026.
- Investments that are owned 5 years would see the original taxable amount reduced by 10%
- Investments that are owned 7 years would see the original taxable amount reduced by 15%
- Investments owned 10 years or longer would also see the new basis brought up to market value on the sale of the investment meaning new gains would not be taxed



Investment Example

		Opportunity Zone		No Incentive									
Original Capital Gain		1,000,000		1,000,000		Year 6							
Capital Gains Due Now		23.80%		238,000		Preferred ROI		7%		63,000		53,340	
Balance		1,000,000		762,000		Bond Rate		2.81%		2,810			
Equity Investment		900,000		762,000		Preferred ROI		7%		63,000		53,340	
7 Year Bond Purchase		100,000				Bond Rate		2.81%		2,810			
						Deferred Tax Due		23.80%		202,300			
Year 1						Preferred ROI		7%		63,000		53,340	
						Bond Rate		2.81%		2,810			
Year 2						Preferred ROI		7%		63,000		53,340	
						Bond Rate		2.81%		2,810			
Year 3						Preferred ROI		7%		63,000		53,340	
						Bond Rate		2.81%		2,810			
Year 4						Preferred ROI		7%		63,000		53,340	
						Bond Rate		2.81%		2,810			
Year 5						Preferred ROI		7%		63,000		53,340	
						Bond Rate		2.81%		2,810			
						Preferred ROI		7%		63,000		53,340	
						Asset Sale		50%		1,350,000		1,143,000	
						Capital Gains Tax Due		23.80%		0		90,678	
						Total Returns				2,797,370		2,347,722 449,648	
						Total Taxes Paid:				202,300		328,678 126,378	
						Other Investment Income							
						Bond Investment:				19,670			
						Preferred ROI Increase				96,660			
						Sale of Asset				207,000			

Questions?

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