Opportunity Zone Tax Benefits

BENEFIT 1: INITIAL DEFERRAL

- Increase in basis
 - 5 years: 10% of initial investment
 - 7 years: 15% of initial investment
- Basis
 - Cost of acquiring asset
- Capital Gains
 - Sale price of asset basis

BENEFIT 2: FINAL EXCLUSION

- Must hold investment at least 10 years
- Must sell investment before 2049
- Investment can be
 - Business property
 - Partnership interest
 - Stock

Example: No Legislation

Oregonian Invests \$10 M in O-Zone

2020

Initial investment = \$10 M Investor **defers** this capital gain until 2026 Initial basis set = \$0

2030 (- 2048)

Upon sale of the **investment** basis is set equal to FMV Sale price = \$25 M, basis set equal to \$25 M Capital gains = sale price – basis = \$0 M No federal or state tax owed for gain

```
Receive increase in basis equal to 10%*(initial investment)
Stepped-up basis = $1 M (10% of $10 M)
Initial deferred gain = $10 M
Amount included now = $9 M
2026
```

Example: HB 4010-1

Oregonian Invests \$10 M in O-Zone

2030 (- 2048)

Upon sale of the **investment** basis is set equal to FMV Sale price = \$25 M, basis set equal to \$25 M No federal tax owed for gain Oregon disregards basis adjustment, taxes capital gain Capital gain = Sale Price – Initial Investment

Capital gain = \$25 M - \$10M = **\$15 M \$15 M taxable gain at state level**

Receive **increase in basis** equal to 10%*(initial investment) Federal amount included now = **\$9 M**

Oregon provides a subtraction equal to the amount of the initial investment

Oregon disregards the basis adjustment at federal level



Federal taxes: investor defers capital gain until 2026

Oregon requires an addition equal to the amount of

2020

Initial investment = \$10 M

the initial investment