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)



2020

Initial investment = \$10 M

Federal taxes: investor **defers** capital gain until 2026

Oregon requires an addition equal to the amount of the initial investment



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