

**Opportunity Zone Tax Example**

An investor has land with a basis for \$500,000 that he sells for \$1,100,000. The land was sold in January 2019. The investor has two options: Invest in a Traditional Fund or a Qualified Opportunity Zone Investment. Below is analysis of the cash flow under both scenarios.

Traditional Investment Option														
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Total	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
	0	1	2	3	4	5	6	7	8	9	10			
Proceeds from Sale of Stock	1,000,000												1,100,000	
Annual Appreciation <sup>1</sup>		35,000	37,450	40,072	42,877	45,878	49,089	52,526	56,202	60,137	64,346			
Reinvestment of Stock Sale <sup>2</sup>	(500,000)													
Federal Taxes Paid Original Investment <sup>3</sup>	(119,000)							0						
Federal Taxes on New Investment <sup>3</sup>												(142,800)		
<b>Total Cash Flow</b>	<b>\$ 381,000</b>												<b>957,200</b>	<b>1,338,200</b>

Qualified Opportunity Zone Investment														
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	TOTAL	Total	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
	0	1	2	3	4	5	6	7	8	9	10			
Proceeds from Sale of Stock	1,000,000												1,100,000	
Annual Appreciation <sup>1</sup>		35,000	37,450	40,072	42,877	45,878	49,089	52,526	56,202	60,137	64,346			
Reinvestment of Stock Sale <sup>2</sup>	(500,000)													
Federal Taxes Paid Original Investment <sup>5</sup>	0							(101,150)						
Federal Taxes on New Investment <sup>4</sup>												0		
<b>Total Cash Flow</b>	<b>500,000</b>							<b>(101,150)</b>					<b>1,100,000</b>	<b>1,498,850</b>
<b>Deferred Taxes</b>	<b>119,000</b>							<b>119,000</b>					<b>119,000</b>	
<b>Basis Step Up on deferred gain</b>	<b>-</b>							<b>11,900</b>					<b>17,850</b>	
<b>Federal Taxes Due</b>	<b>119,000</b>							<b>107,100</b>					<b>101,150</b>	

<sup>1</sup> The annual appreciation rate is 7% for this calculation

<sup>2</sup> For comparison purposes, the investor only invests his gain portion in either the Traditional Investment or the Qualified Opportunity Zone Fund

<sup>3</sup> The federal rate being used is 20% federal taxes and 3.8% Net Investment Income Tax. There is no state taxes included in this calculation due to various state conformity rules.

<sup>4</sup> Since the investment in the fund was held for 10-years there is no capital gain. This analysis assumes no recapture or ordinary gain.

<sup>5</sup> This is based on a 15% reduction for holding the QOZ Investment for the 5 & 7 year hold periods and is on the ORIGINAL gain that was deferred. The federal rate being used is 20% federal taxes and 3.8% Net Investment Income Tax. There is no state taxes included in this calculation due to various state conformity rules.