

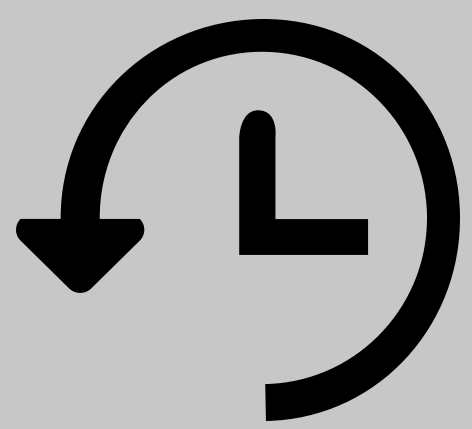
Opportunity Zones 101



An Opportunity Zone is a designation created by the Tax Cuts and Jobs Act of 2017 meant to encourage investment in economically distressed communities. Opportunity Zones provide a tax incentive for investors to re-invest their unrealized capital gains into dedicated Opportunity Funds, which then invest in Qualified Opportunity Zone property, including stocks, partnership interest or business property.

Tax Incentives

Opportunity Zones offer investors three incentives for putting equity to work in economically distressed communities:



Temporary deferral

An investor can defer capital gains taxes until the end of 2026 by rolling their gains directly over into an Opportunity Fund.



Step-Up in Basis

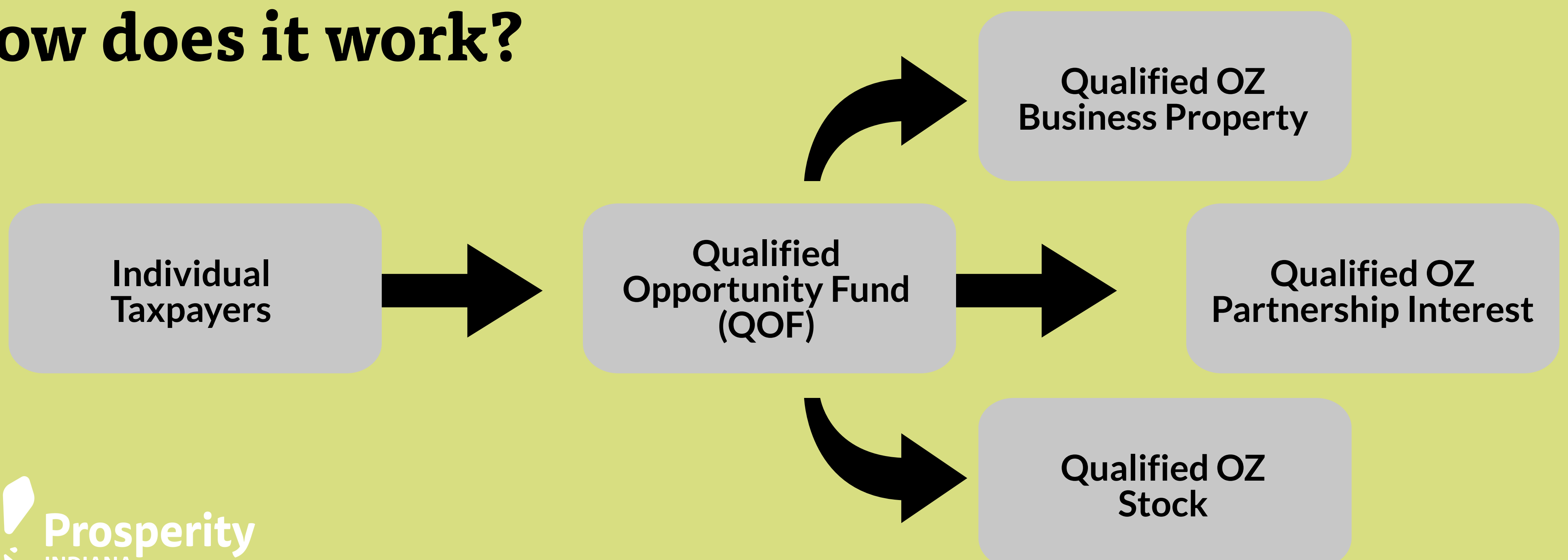
The deferred capital gains liability is effectively reduced by 10% if the investment is held for 5 years, and 15% if held for 7 years.



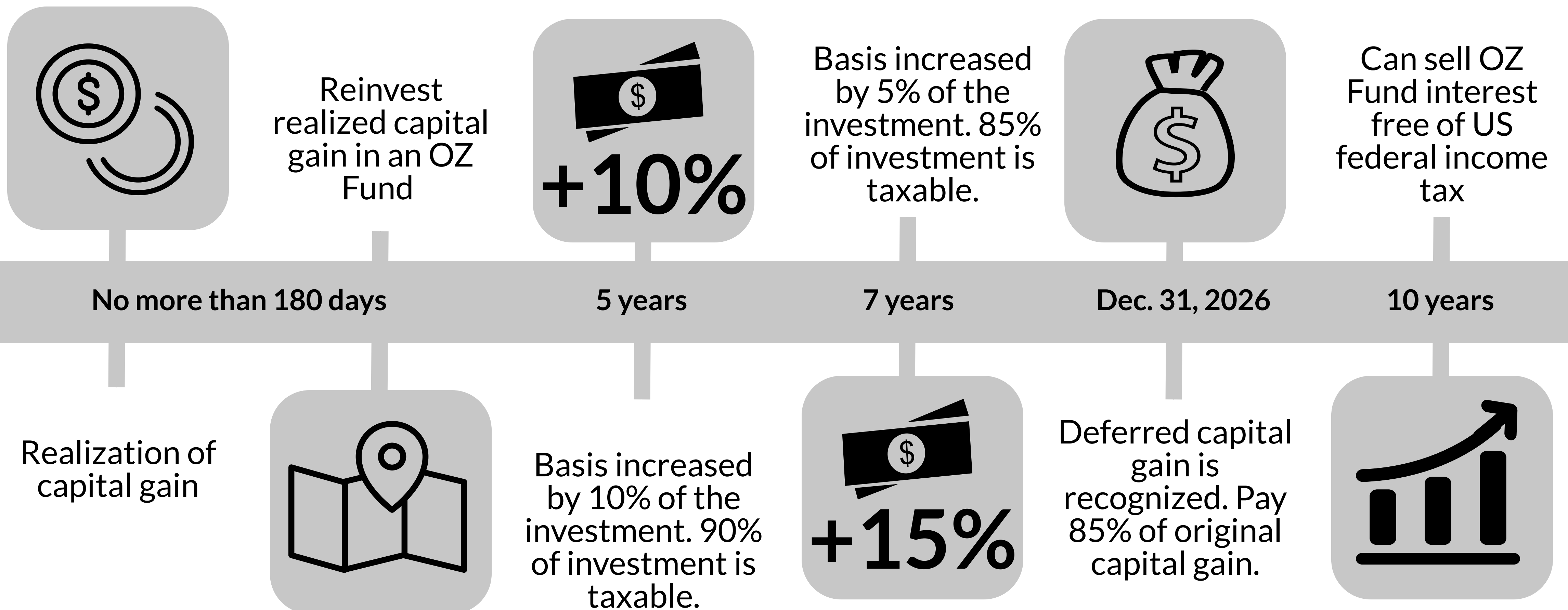
Permanent Exclusion

Any capital gains on investments made through an Opportunity Fund accrue tax-free so long as the investment is held for at least 10 years.

How does it work?



Timeline of Benefits



How do they compare?

Investment in Stock Market at 10% Return on Investment (ROI)

Amount of Capital Gains: **\$100,000**
 Federal Cap Gain Tax Liability (20%): **(\$20,000)**
 Amount to invest: **\$80,000**

Year 1: \$88,000
 Year 2: \$96,800
 Year 3: \$106,480
 Year 4: \$117,128
 Year 5: \$128,841
 Year 6: \$141,725
 Year 7: \$155,898
 Year 8: \$171,488
 Year 9: \$188,637
 Year 10: \$207,501
 (Capital Gain: \$127,501)

Federal Cap Gain Tax Liability on \$127,501 (20%): **(\$25,500)**

Net Value of Stock Market Investment:
\$182,001

Investment in Qualified Opportunity Fund (QOF) at 10% ROI

Amount of Capital Gains: **\$100,000**
 Federal Cap Gain Tax Liability (20%): **\$0**
 Amount to invest: **\$100,000**

Year 1: \$110,000
 Year 2: \$121,000
 Year 3: \$133,100
 Year 4: \$146,410
 Year 5: \$161,051
 (If you realize Capital Gains, eligible for 10% reduction)
 Year 6: \$177,156
 Year 7: \$194,872
 (If you realize Capital Gains, eligible for 15% reduction)
December 31, 2026
 Federal Cap Gain Tax Liability (15% reduction): **(\$17,000)**
 Year 8: \$214,359
 Year 9: \$235,795
 Year 10: \$259,375
 (Capital Gain: \$159,375)

Federal Cap Gain Tax Liability on \$159,375 (0%): **\$0**

Net Value of QOF Investment:
\$242,375

*Example not a replacement for professional legal/accounting advice

The benefits are clear. Investing in an Opportunity Zone maximizes your return and has the potential to make a positive impact on economically distressed communities.

Go to OpportunityInvestmentConsortium.com to learn more about Opportunity Zones in Indiana.