

What, Why, and How

Opportunity Zones

SolidRock Capital



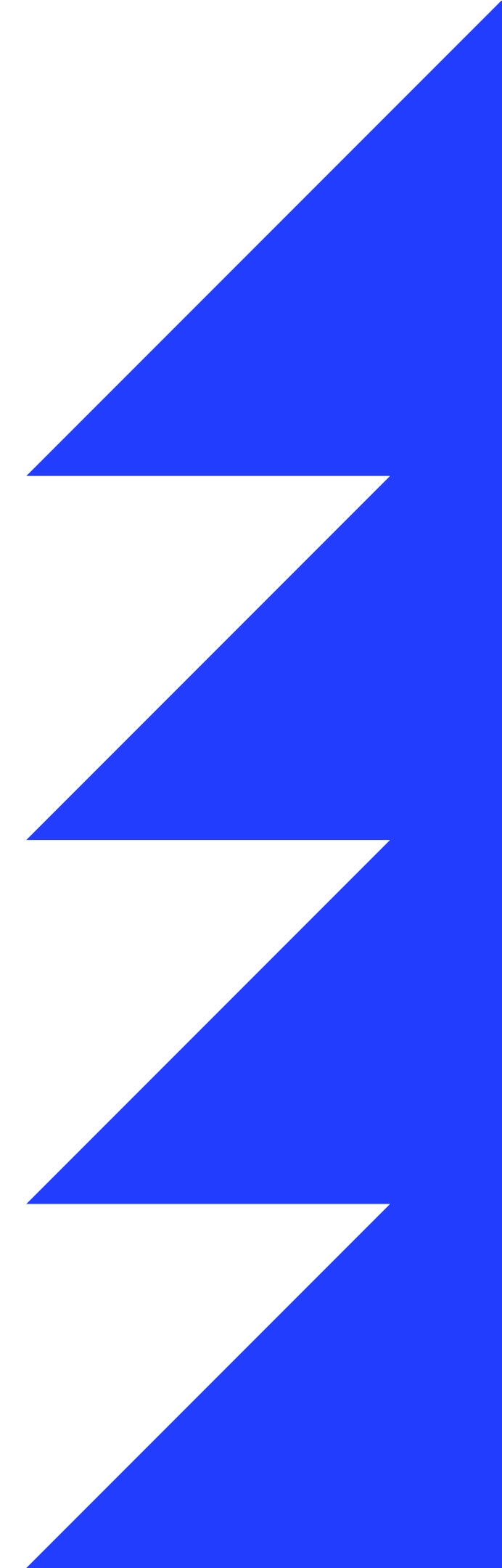


What are Opportunity Zones?

An Opportunity Zone is a designation and investment program created by the Tax Cuts and Jobs Act of 2017 allowing for certain investments in lower income areas to have tax advantages.

There are designated areas all over the country. You can find the list here:

<https://opportunitydb.com/map>



Why should you invest in Opportunity Zones?

Tax Deferral

- You can defer capital gains till 2026

Permanent Tax exclusion

- If you keep your investment in OZ for 10 years, all capital gains on the investment will be tax free permanently. You own Roth IRA!!!

10% Step up Basis

- If you invest in 2021 and wait till 2026, you will pay 10% less when you pay in 2027

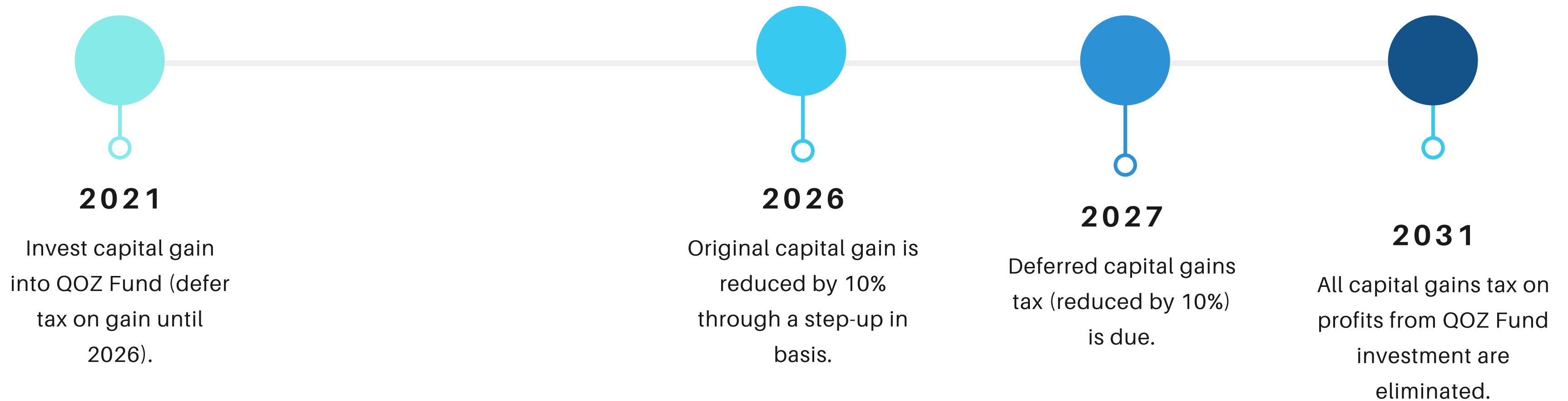
OZ Vs Conventional Investment

Capital Gain of \$1MM Reinvested in 2020

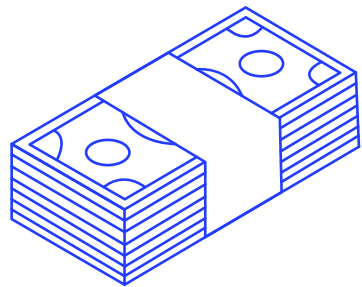
Period	Qualified Opportunity Zone Business	Conventional Investment
Day 1	\$1MM Investment (deferred Cap Gains Tax)	\$762,000 Investment
Year 5	10% reduction in Cap Gains Tax (Savings of \$23,800)	No Tax Benefit
January 1, 2027	Tax due on initial investment of approximately \$214,200	No Tax Benefit
Year 10	\$1,785,800 payout (\$2mm - \$214,200 distribution/loans made in 2027) IRR: 6.8%	\$1,161,288 payout post tax. IRR: 4.8%

If held for 10 years, the after-tax return at sale is 53.8% greater. An additional \$624, 512 for the QOF Investment

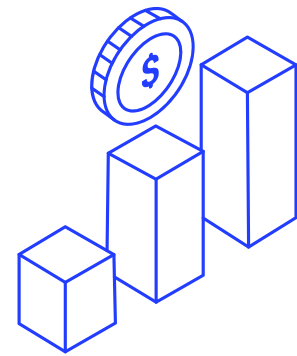
TAX BENEFITS TIMELINE



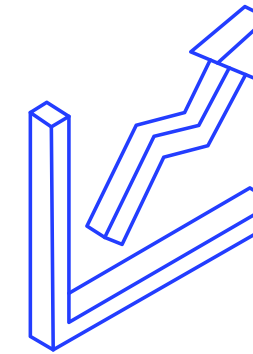
Why investing before the End of 2021 Matters?



For an investor deferring their taxable gain by reinvesting it in a QOZ fund, one benefit is a 10% step up in tax basis on the deferred gain-if the investor has held the investment in a QOZ fund for five years by the end of 2026.



Thus, to take full advantage of this 10% reduction in capital gains tax due in 2026, the investor must have invested by December 31, 2021.



Otherwise, when the tax is triggered at the end of 2026, the taxpayer will not have held the investment in the fund for five years.

How to invest in Opportunity Zones?

Set up a OZ Fund and a OZ Business

Transfer capital gains to OZ Fund within 180 days

OZ Business identifies a project in an OZ

Transfer funds from OZ Fund to OZ Business

OZ Business acquires property in OZ and executes OZ Project, within 31 months. Can be extended to 62 months if there is new equity or funding

How to invest in Opportunity Zones?

Cont...

Hire an OZ attorney

Hire a CPA with OZ experience

Follow the strict guidelines laid out by IRA

Or

Identify an OZ Fund and invest in that fund - let them do the heavy lifting

Thank you!

Feel free to reach out to us
if you have any questions.

Email Us

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Visit Our Website

www.solidrockcapital.us