

Opportunity Zones

Oregon's O-Zones and Associated Tax Incentives

Legislative Revenue Office

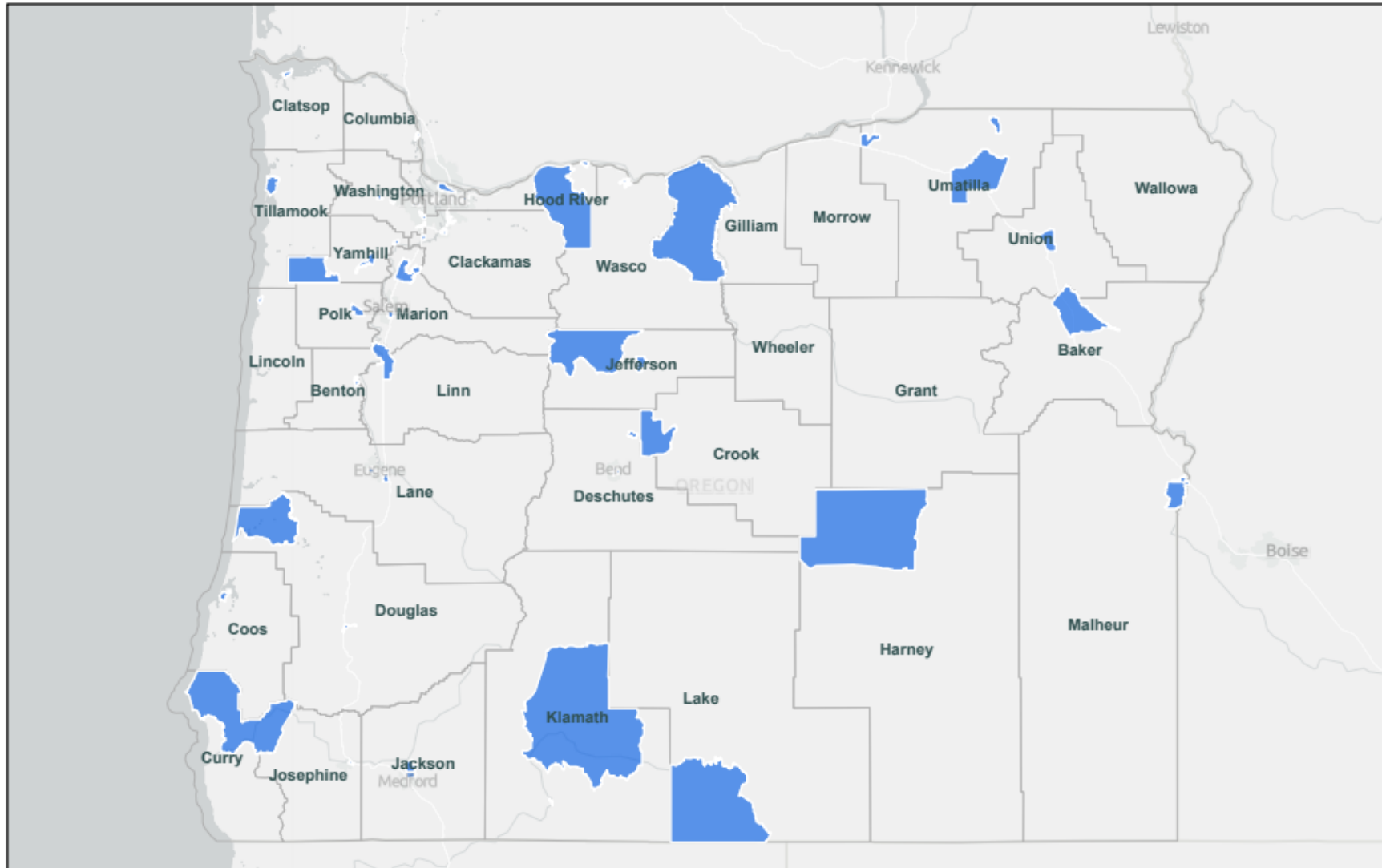
The Opportunity Zone Program

- Part of federal Tax Cuts and Jobs Act (TCJA)
- Federal: identify eligible low-income communities
- States: choose set of designated O-Zones from eligible communities
- Provides tax incentives for investment into low-income areas
 - Capital gains tax deferral, 'discount', exclusion

Relevant Capital Gains Details

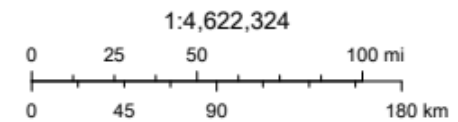
- Capital gains tax
 - Opportunity zone benefits
 - Deferral
 - 'Discount'
 - Exclusion
- Capital gains = sale price of asset – basis
- Profit on the sale of an asset
- Basis = cost of asset at time of acquisition

Oregon O-Zones

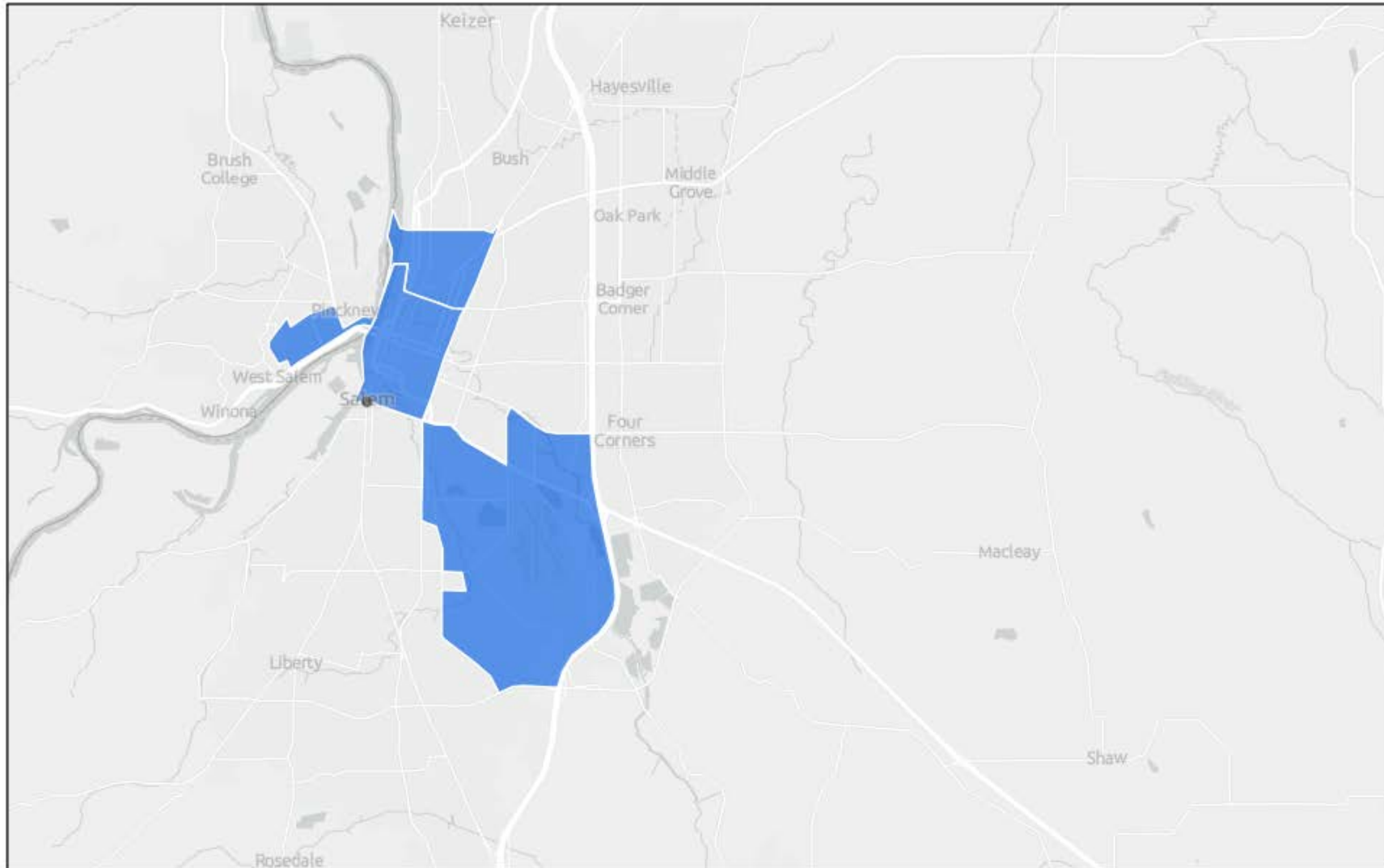


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- Opportunity Zones
- Counties

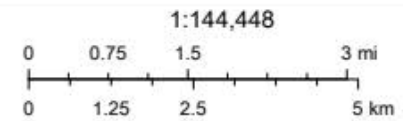


Salem O-Zones

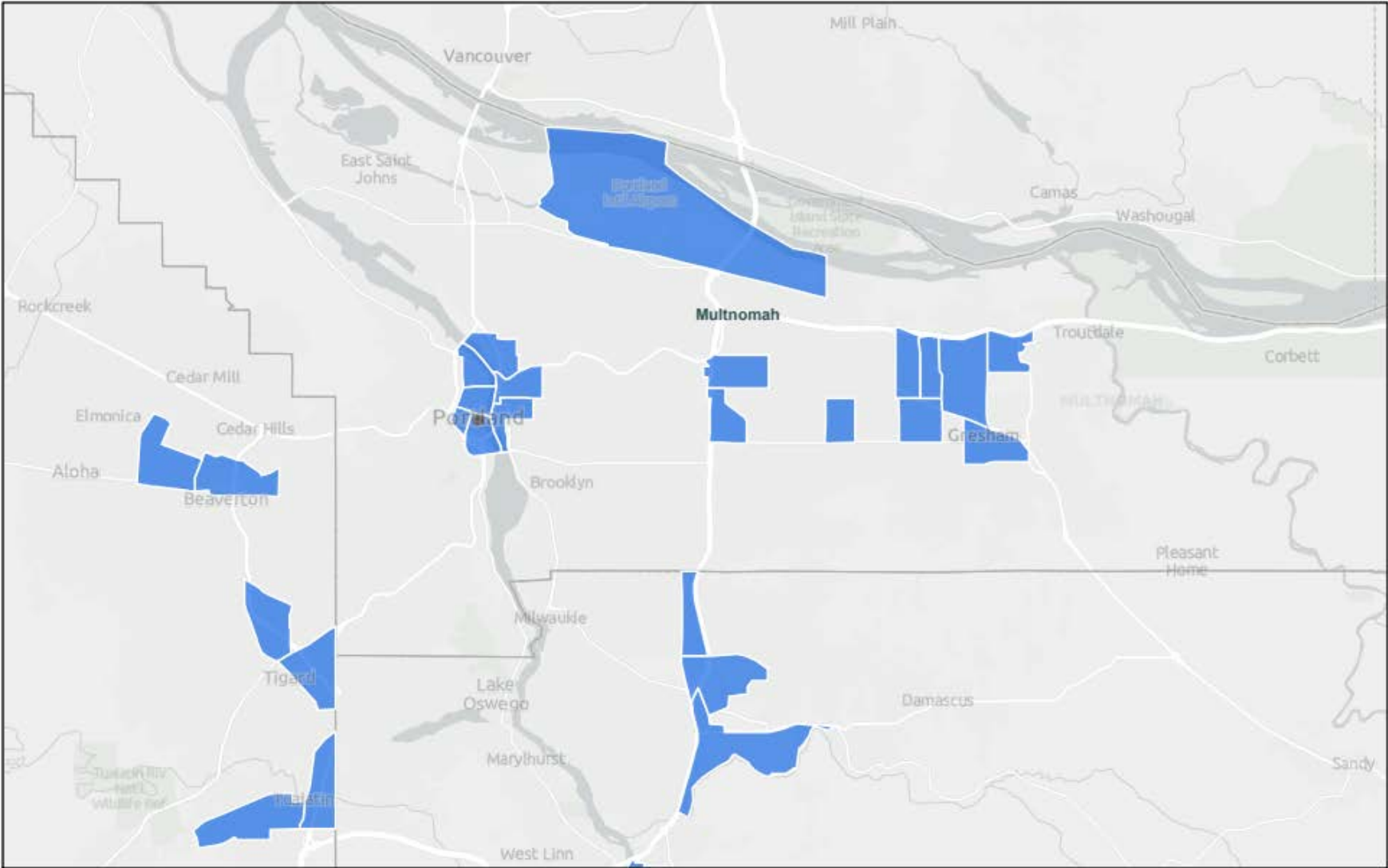


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- Opportunity Zones
- Counties

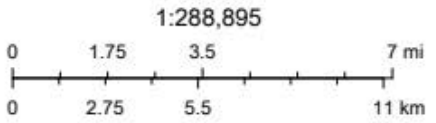


Portland O-Zones



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 Opportunity Zones
 Counties

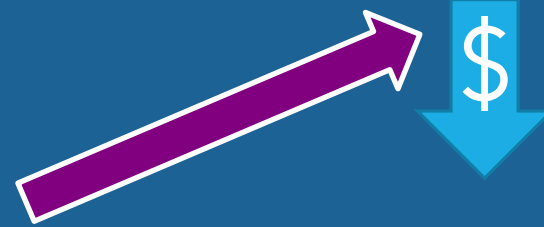


How Investment Works

Investors

How Investment Works

Investors



- **First tax incentive**
- **Deferral of cap. gains tax on \$ invested**
- **Must invest capital gains within six months of realizing the gain**

How Investment Works

Investors

\$



Qualified Opportunity Funds
(QOF)

How Investment Works

Investors



Qualified Opportunity Funds
(QOF)

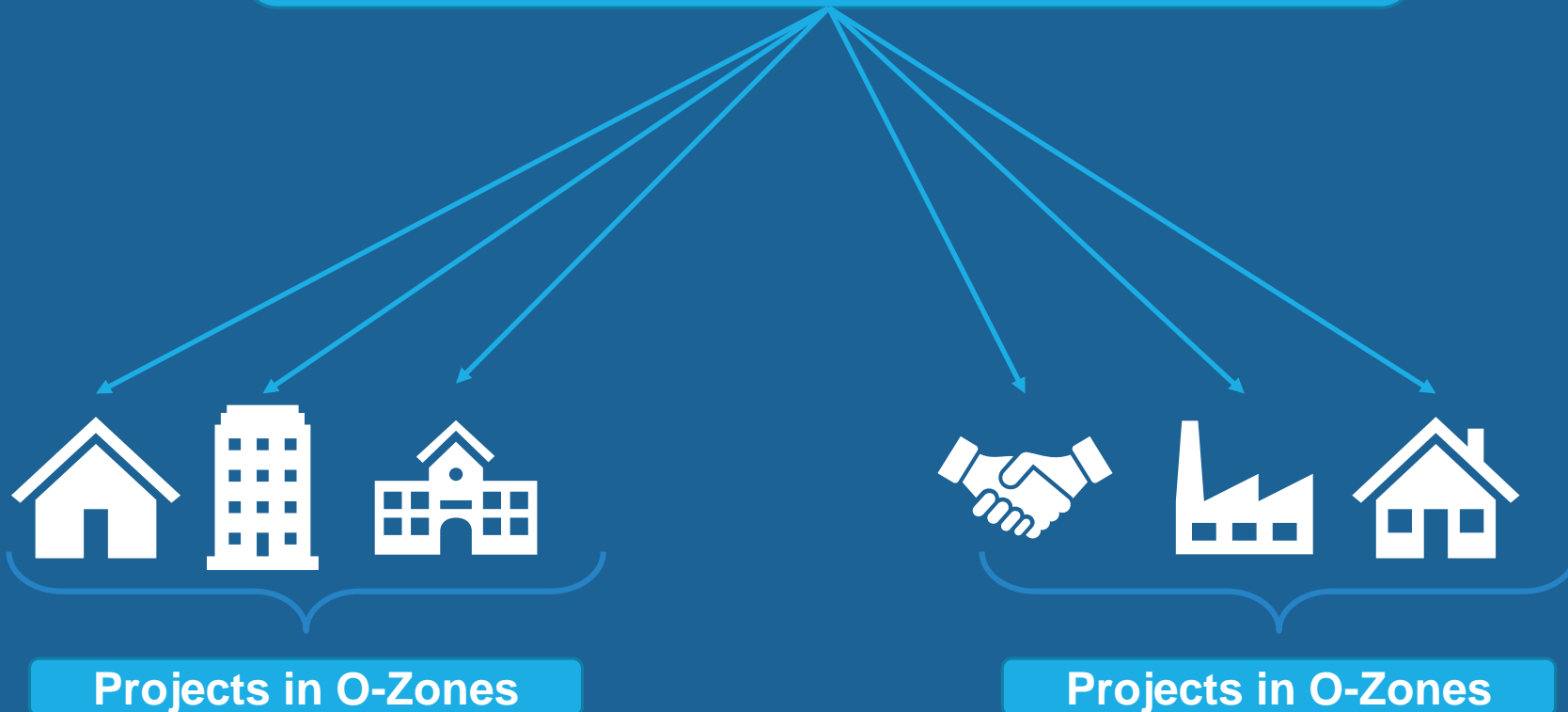
- Partnerships or Corporations
- Designed to invest in O-Zones
- Managed by fund manager

How Investment Works

Investors



Qualified Opportunity Funds
(QOF)



Projects in O-Zones

Projects in O-Zones

How Investment Works

Investors



Qualified Opportunity Funds
(QOF)

O-Zone projects//property can be

- Business Property
- Partnership Interest
- Stock for business within zone



Projects in O-Zones



Projects in O-Zones

How Investment Works

1

- Deferral of capital gains tax

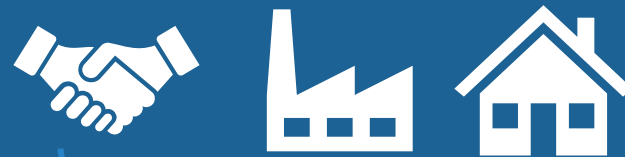
Investors



Qualified Opportunity Funds
(QOF)



Projects in O-Zones



Projects in O-Zones

How Investment Works

Investors



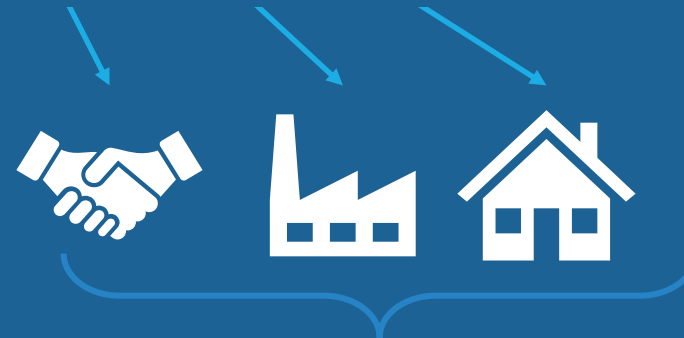
Qualified Opportunity Funds
(QOF)

2

- Investments held for
 - at least 5 years, 10% step up in basis
 - at least 7 years, additional 5% step up in basis
- By 2026, deferred gain included in tax return



Projects in O-Zones



Projects in O-Zones

How Investment Works

Investors



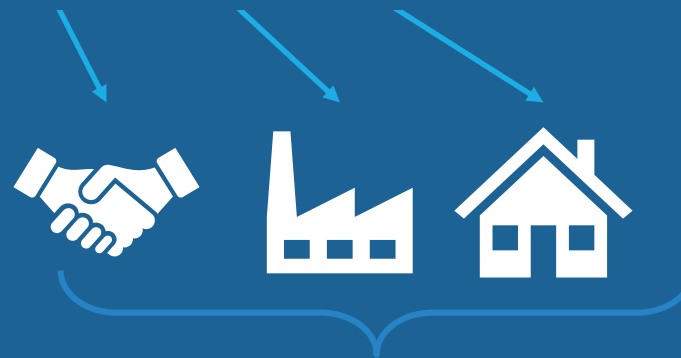
Qualified Opportunity Funds
(QOF)

3

- If investment is held at least 10 years upon sale, profit not subject to capital gains tax



Projects in O-Zones



Projects in O-Zones

Example

 2019

In 2019, investor A invests \$1 Million into an Oregon O-Zone

Deferred federal tax on capital gains until sold or 2026, whichever is sooner

Example

2019

In 2019, investor A invests \$1 Million into an Oregon O-Zone

Deferred federal tax on capital gains until sold or 2026, whichever is sooner

Pay capital gains tax on 85% of initial investment

Investor held the investment for 7 years, so full 15% discount

Post 2019, the maximum available discount is 10%

2026

Example



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