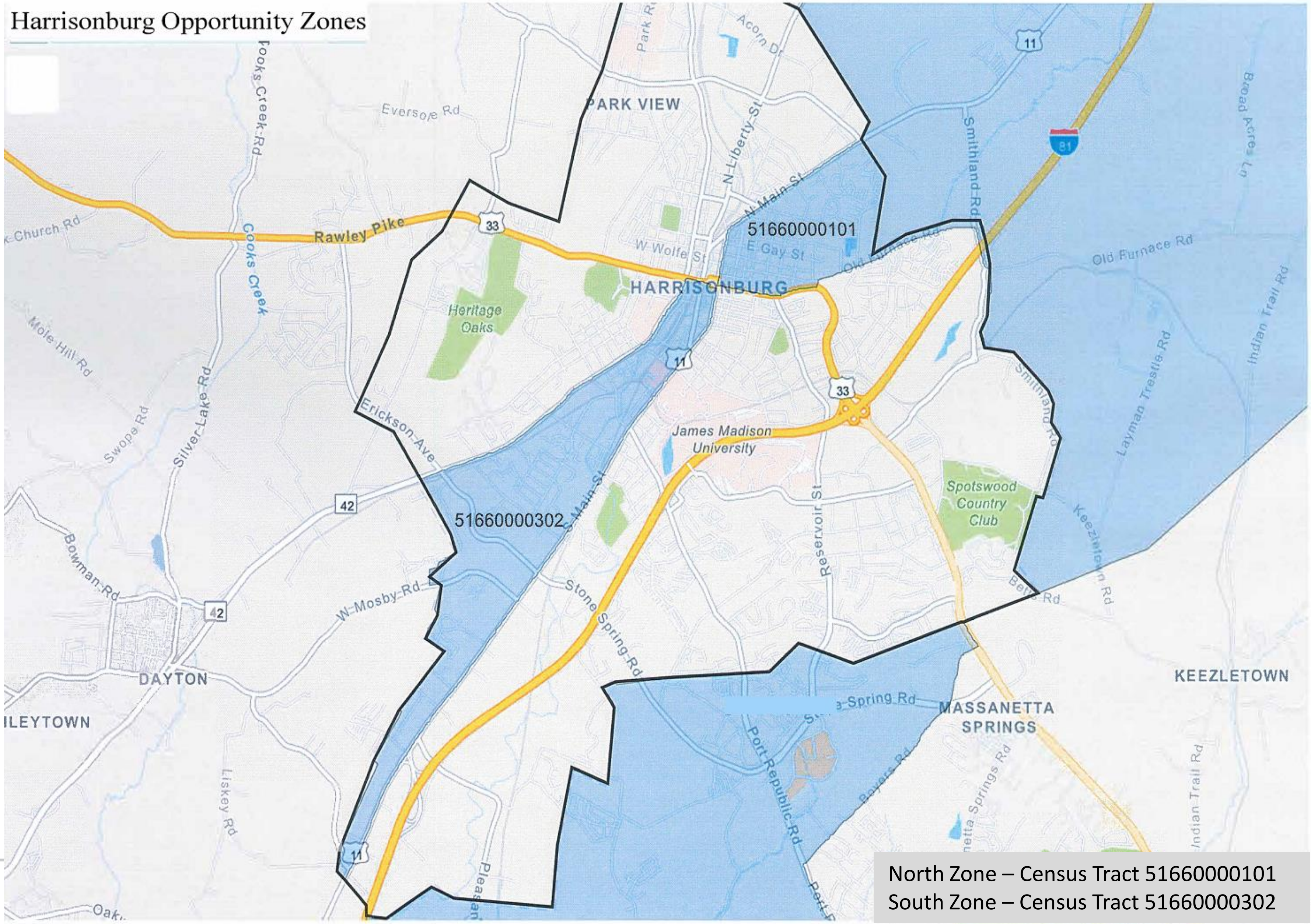
Harrisonburg Opportunity Zones

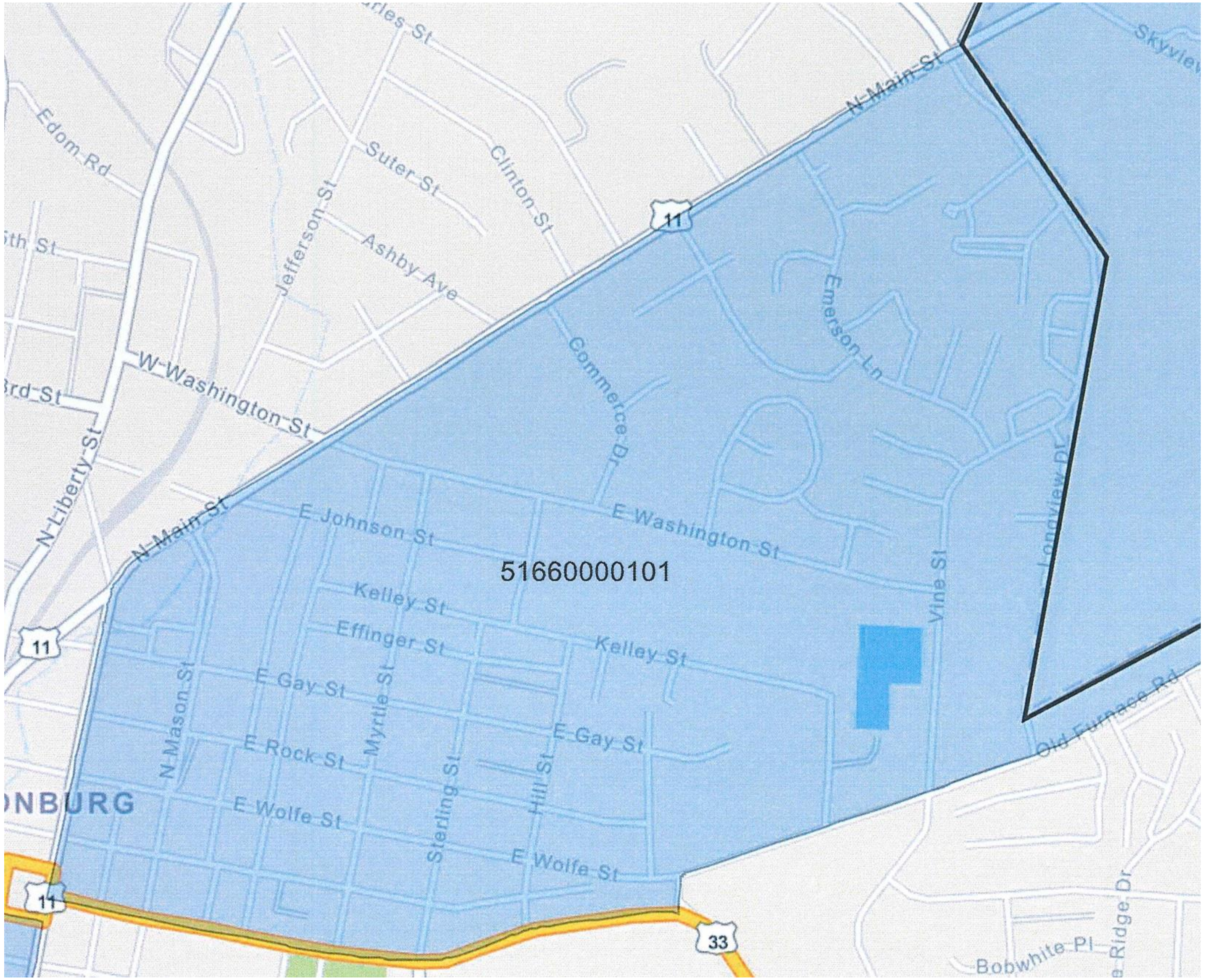
Presentation to Harrisonburg City Council

HARRISONBURG OPPORTUNITY ZONES

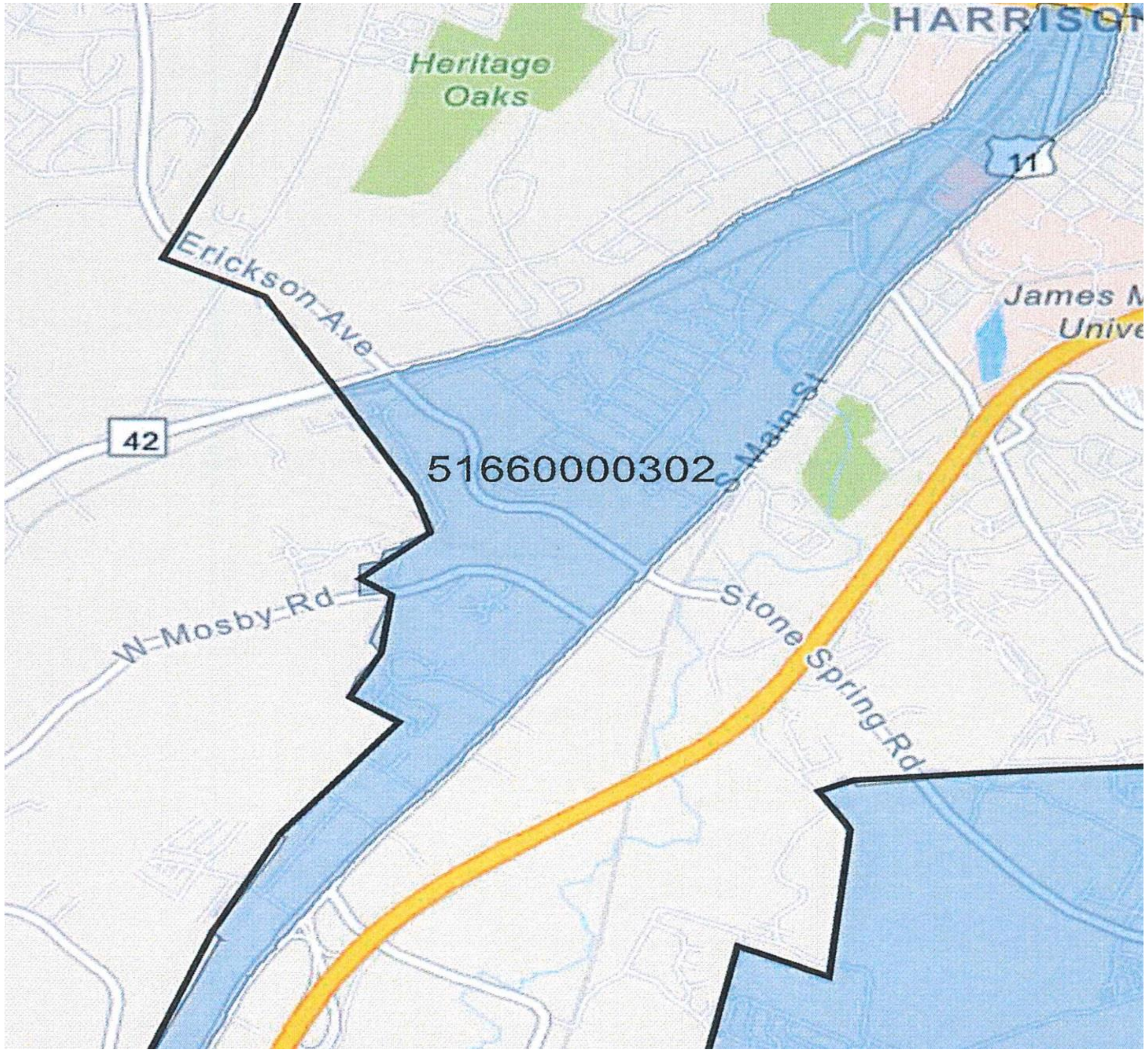


North Zone – Census Tract 51660000101
South Zone – Census Tract 51660000302

NORTH OPPORTUNITY ZONE



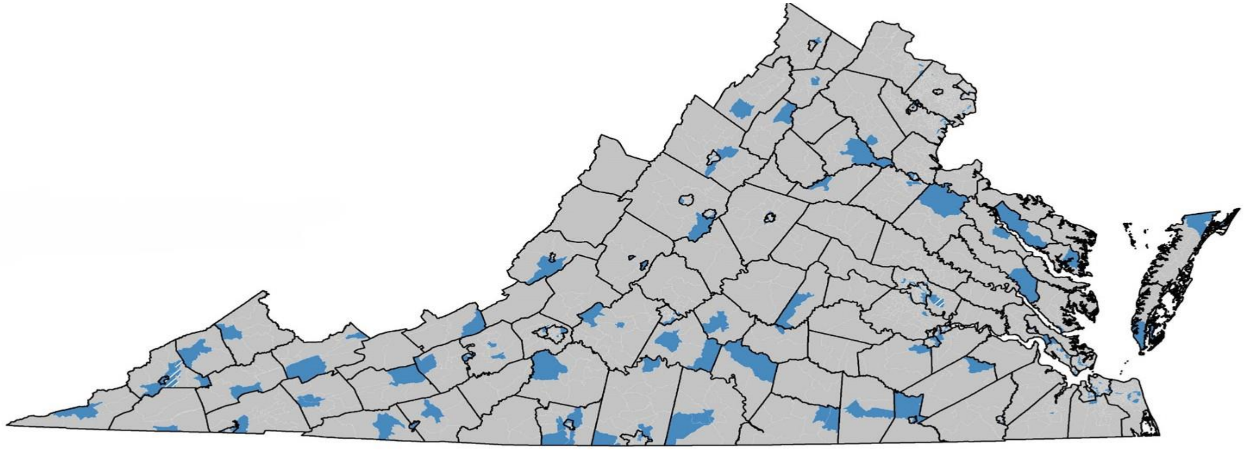
SOUTH OPPORTUNITY ZONE



Opportunity Zones Fact Sheet

What are Qualified Opportunity Zones?

Qualified Opportunity Zones are low-income census tracts [IRC Section 45D(e)] that were nominated by the governor of Virginia and certified by the U.S. Treasury where new investments may be eligible for preferential tax treatment if they meet certain qualifications. A low-income census tract is defined as having an individual poverty rate of at least 20% or a median family income no greater than 80% of the area median income. According to the 2015 and 2016 U.S. Census data, Virginia had 901 eligible census tracts, and per the Tax and Jobs Act, Virginia was able to nominate 25% or 212 tracts. The designations are permanent until Dec. 31, 2028.



What are Qualified Opportunity Funds?

- Private-sector investment vehicles that invest at least 90% of their capital in Opportunity Zones.
- Must be set up as a partnership or LLC.
- A taxpayer must self-certify on their tax return by completing a form to create an Opportunity Fund. A draft form has been released by the U.S. Treasury.
- Equity investment derived from an investor's capital gains from a prior investment.

TAX BENEFITS

All the underlying incentives relate to the tax treatment of capital gains, and all are tied to the longevity of an investor's stake in a qualified Opportunity Fund. There are three core tax incentives:

- Temporary deferral
- Step-up in basis
- Permanent exclusion

TEMPORARY DEFERRAL

Capital Gains

A temporary deferral of inclusion in taxable income for capital gains reinvested into an Opportunity Fund. The deferred gain must be recognized on the earlier of the date on which the Opportunity Zone investment is disposed of or December 31, 2026.

STEP-UP IN BASIS

A step-up in basis for the deferred capital gains reinvested in an Opportunity Fund. The basis is increased by 10% if the investment in the Opportunity Fund is held by the taxpayer for at least 5 years and by an additional 5% if held for at least 7 years, thereby excluding up to 15% of the original deferred gain from taxation.

PERMANENT EXCLUSION

A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in an Opportunity Fund if the investment is held for at least 10 years. This exclusion only applies to gains accrued on investments made through an Opportunity Fund. There is no permanent exclusion possible for the initially deferred gain.