

Nevada Opportunity Zones

October 22, 2018

Nevada Governor's Office of

ECONOMIC DEVELOPMENT

Opportunity Zones

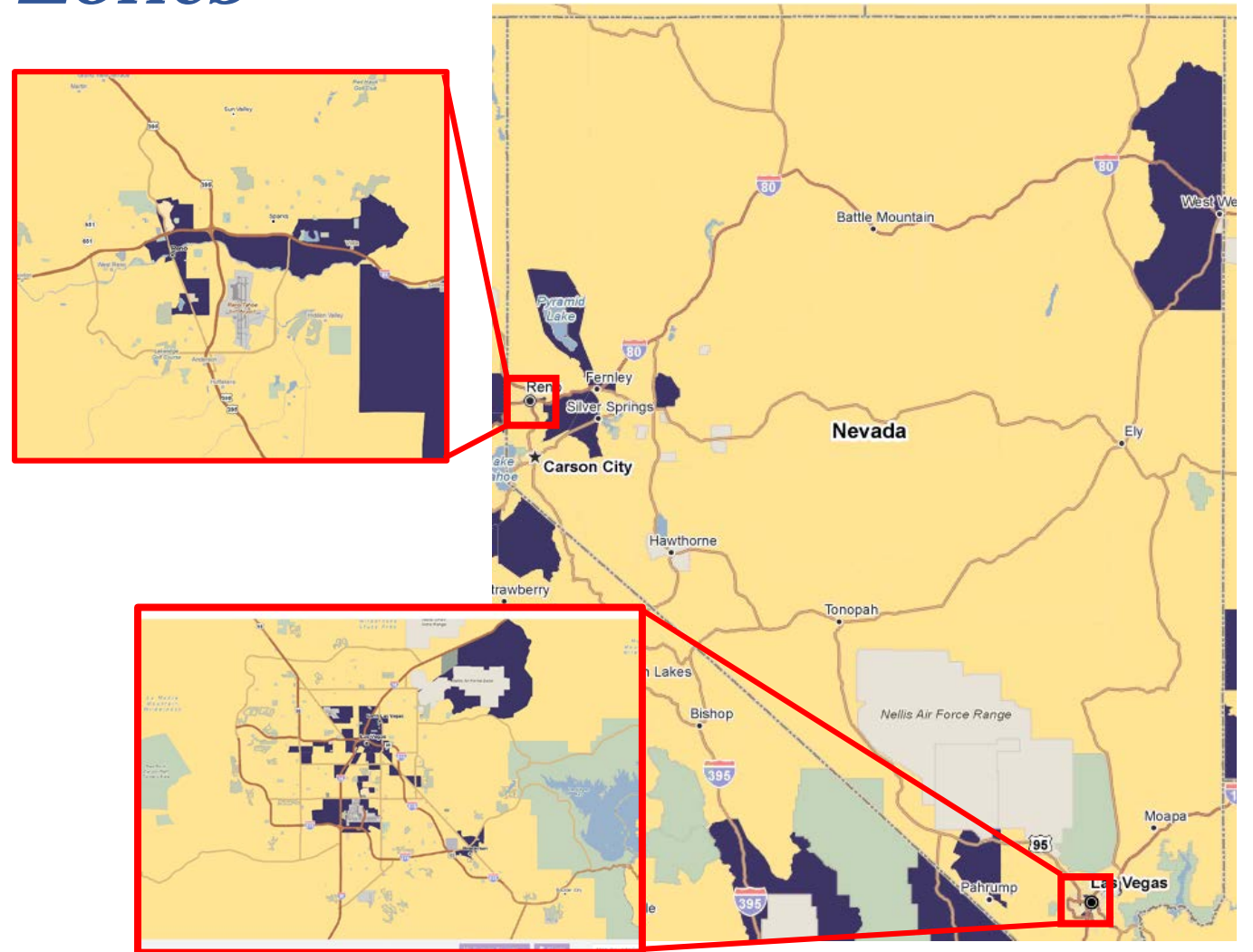
- Investment in Opportunity Act
- Population census tract that is a low-income community (LIC)
 - 74,000 total census tracts in the U.S.
 - 37% of the census tracts in the United States are LICs
- What is a LIC
 - Same definition for New Market Tax Credit (NMTC)
 - Based upon poverty rate (20%) or median family income (80%)
- Nominated by each Governor
- 25% of the LICs were eligible for nomination
 - Approximately 8,000 census tracts
 - 5% of the tracts to be nominated can be contiguous tracts



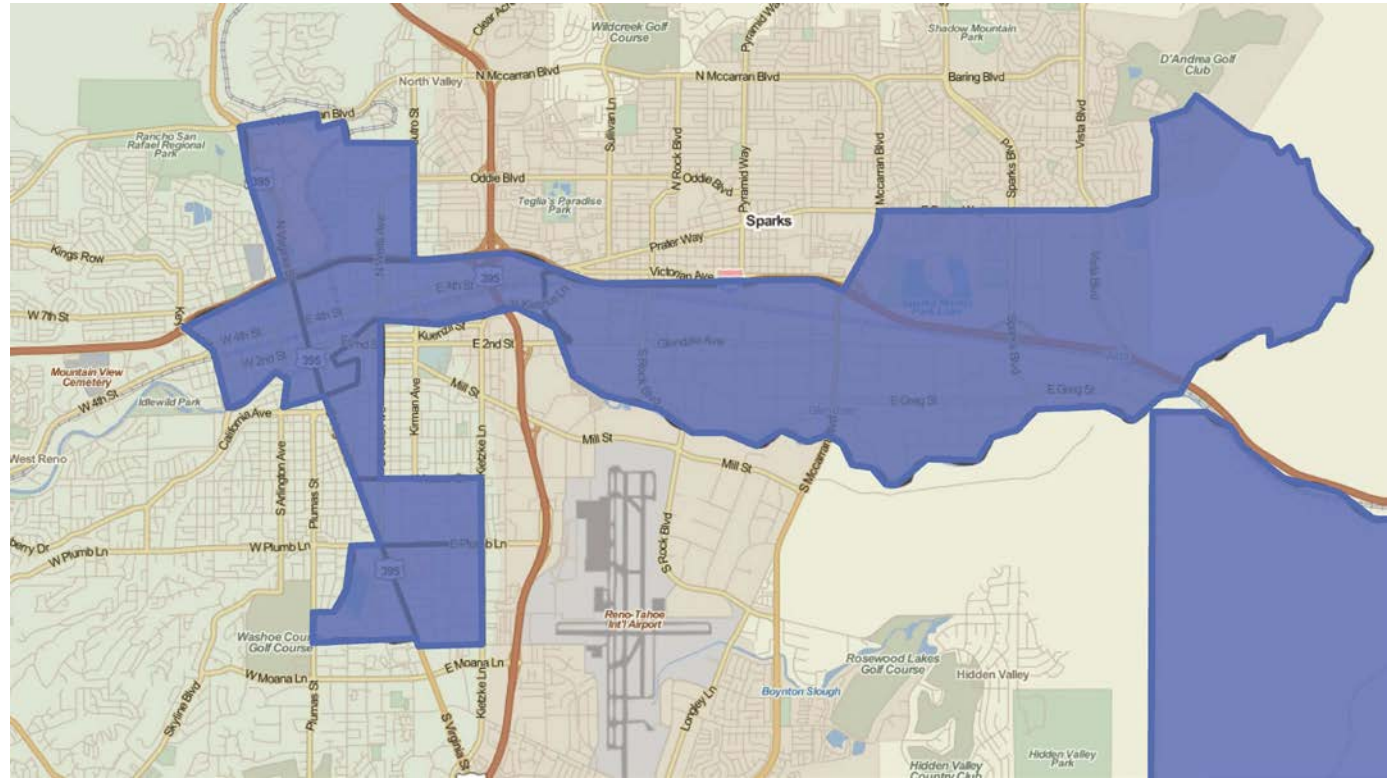
Nevada Opportunity Zones

- 61 Designated Census Tracts
- Census Tract Listing:

<http://www.diversifynevada.com/programs-resources/opportunity-zones>



Reno/Sparks Designated Opportunity Zones



3 Tax Incentive Benefits

1. Temporary Deferral of (Capital) Gain

- *Applies to any (capital) gain from the sale or exchange of any property to an unrelated person*
- *\$6 trillion of potential eligible capital*

2. Partial reduction of Deferred Gain

- *Income Tax is still paid on a large portion of the Deferred Gain*

3. Permanent Exclusion of Appreciation

- *Applies to the Appreciation in the Investment*

Partial Reduction of Deferred Gain (Tax Basis)

Taxpayer has an
Initial Basis in the O-
Fund of Zero

Hold for 5
Years

- Investor's tax basis in the O-Fund is increased by 10% of the amount of the Deferred Gain

Hold for 7
Years

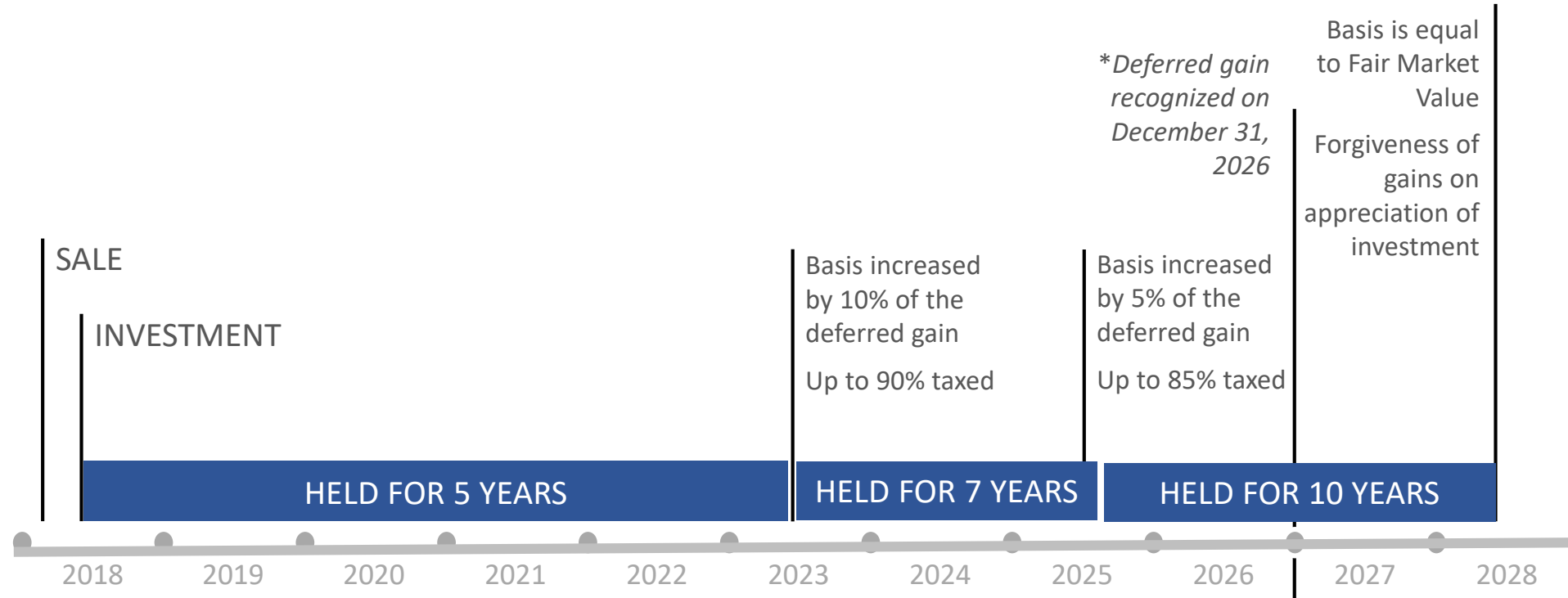
- Investor's tax basis in the O-Fund is increased by an additional 5% of the amount of the Deferred Gain



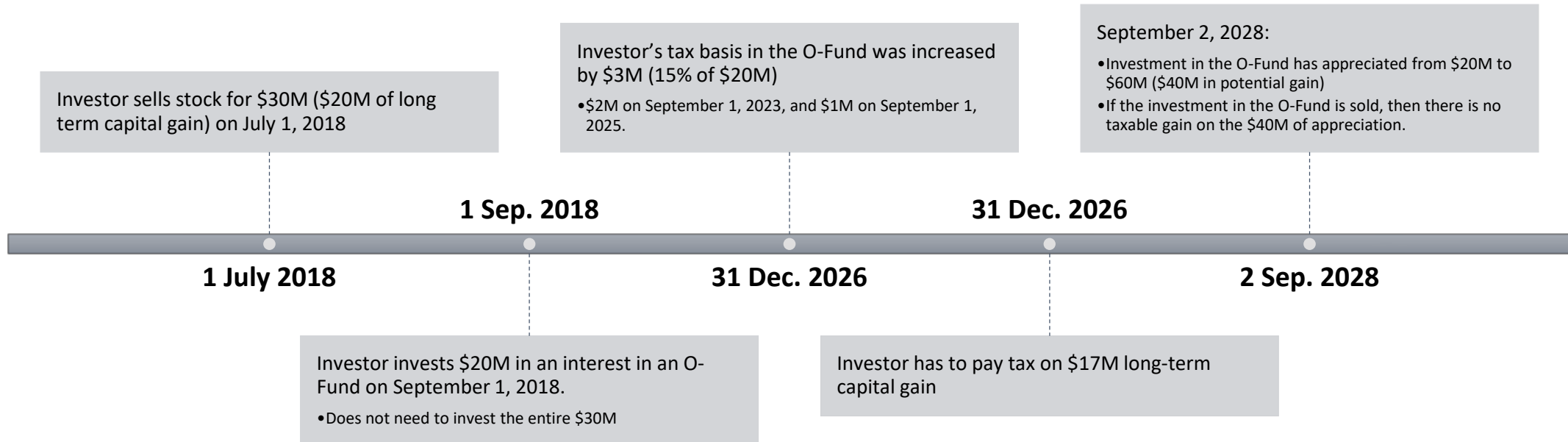
Permanent Exclusion Of Appreciation

- Where Investor holds its interest in the O-Fund for 10 years and 1 day:
 - Tax basis step-up to FMV of Investor's interest in the O-Fund on the date of the sale or exchange.
 - *Significant benefit but must hold long term*
 - The result is no gain on the appreciation above Investor's original investment in the O-Fund.

Deferral, Partial Reduction, and Forgiveness of Additional Gains



Example



What is an Opportunity Fund (O-Fund)

-Intermediary Between Investors and the Investments in the Opportunity Zone

-Statutory Requirements:

Organized as a Corporation or Partnership

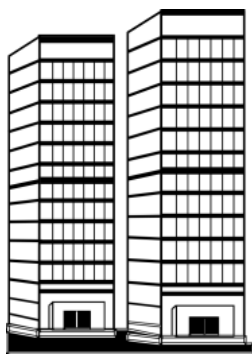
An **investment vehicle** organized for the purpose of investing in **Opportunity Zone Property**.

90% Requirement (Must hold at least 90% of assets in Opportunity Zone Property)

-Certification Process

-Penalty imposed for Noncompliance

Possible Investments in Opportunity Zones



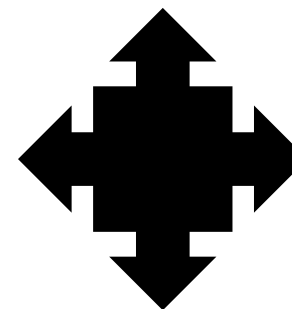
Real Estate
Development and
Significant
Rehabilitations in
Opportunity Zones



Opening New
Businesses in
Opportunity
Zones



Acquiring an
Existing
Business and
relocating it
(with
Expansion) in
an Opportunity
Zone



Large Expansions
of Businesses
already within
Opportunity
Zones

Excluded Businesses

Can't be a "Sin Business"

- Golf Course
- Country Club
- Massage Parlor
- Hot Tub Facility
- Suntan Facility
- Racetrack (or other gambling facilities)
- Any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

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Information provided in collaboration with Snell & Willmer (<https://www.swlaw.com/>)

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