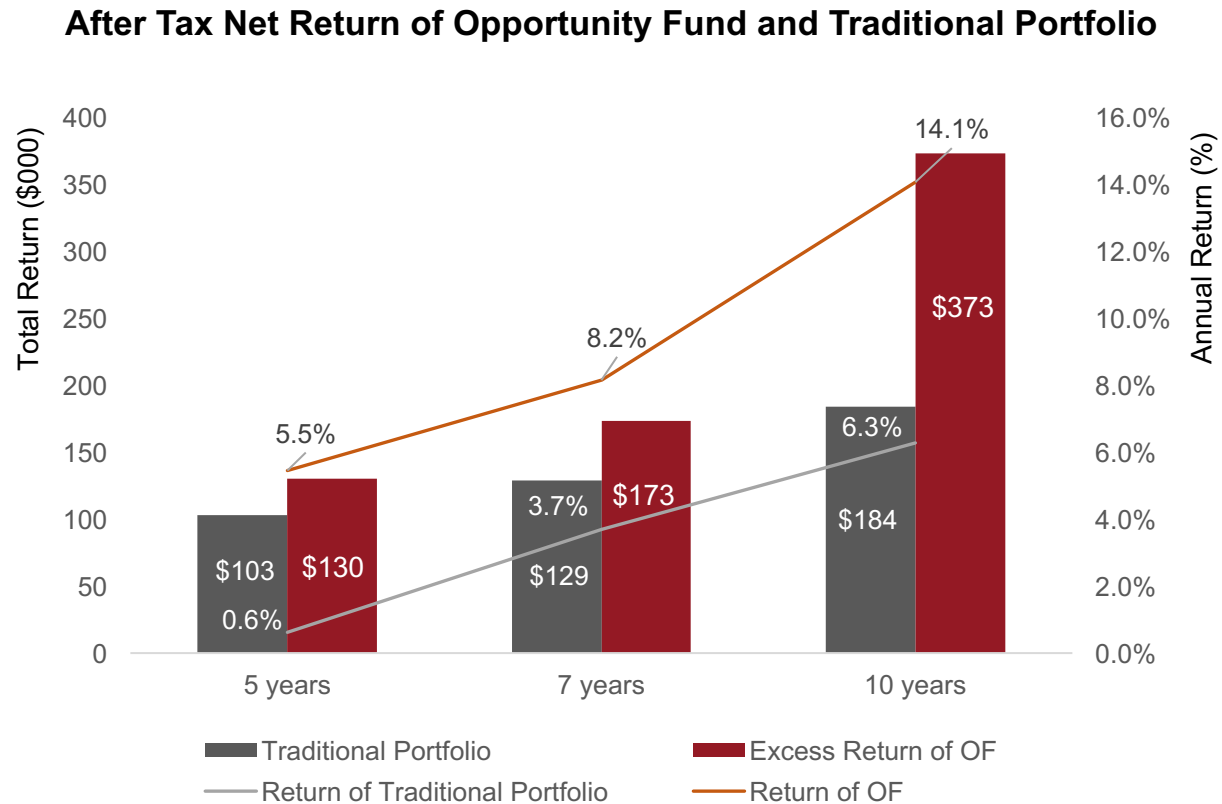


# Figure: Excess Return Offered by the Opportunity Zones

What's the return of \$100,000 capital gain reinvested in an Opportunity Fund and a traditional portfolio over time?



# Example 1

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Investor A has realized a capital gain of \$100,000 and can reinvest it in a traditional portfolio or an Opportunity Fund

- 10 year hold in a traditional portfolio:
- 1) 15% annual investment appreciation;
  - 2) 37% combined tax rate;

<b>Capital Gain</b>	\$100,000
<u>-Tax Payable (37%)</u>	<u>\$37,000</u>
<b>Total Capital to Invest:</b>	\$63,000
Sales Price After 10 Years	\$254,870
<u>-Tax on Appreciation (37%)</u>	<u>\$70,992</u>
<b>After Tax Funds Available</b>	<b>\$183,878</b>
<b>After Tax Net Return</b>	<b>6.3%</b>

- 10 year hold in an Opportunity Fund:
- 1) 15% annual investment appreciation;
  - 2) 37% combined tax rate;

<b>Capital Gain</b>	\$100,000
<u>-Tax Payable</u>	<u>0</u>
<b>Total Capital to Invest:</b>	\$100,000
Sales Price After 10 Years	\$ 404,556
-Tax on Appreciation	0
<u>-Deferred Capital Gain Tax (37%)</u>	<u>\$ 31,450</u>
<b>After Tax Funds Available</b>	<b>\$ 373,106</b>
<b>After Tax Net Return</b>	<b>14.1%</b>

# Example 2

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7 year hold in a traditional portfolio:

- 1) 15% annual investment appreciation;
- 2) 37% combined tax rate;

<b>Capital Gain</b>	\$100,000
<u>-Tax Payable (37%)</u>	<u>\$37,000</u>
<b>Total Capital to Invest:</b>	\$63,000
Sales Price After 7 Years	\$167,581
<u>-Tax on Appreciation (37%)</u>	<u>\$38,695</u>
<b>After Tax Funds Available</b>	<b>\$128,886</b>
<b>After Tax Net Return</b>	<b>3.7%</b>

7 year hold in an Opportunity Fund:

- 1) 15% annual investment appreciation;
- 2) 37% combined tax rate;

<b>Capital Gain</b>	\$100,000
<u>-Tax Payable</u>	<u>0</u>
<b>Total Capital to Invest:</b>	\$100,000
Sale Price After 7 Years	\$ 266,002
-Tax on Appreciation (37%)	\$ 61,421
<u>-Deferred Capital Gain Tax (37%)</u>	<u>\$ 31,450</u>
<b>After Tax Funds Available</b>	<b>\$ 173,131</b>
<b>After Tax Net Return</b>	<b>8.2%</b>