



**Webinar on Rhode Island Opportunity Zones Updates**  
December 19, 2018



# Webinar Outline

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- Background and technical primer on Opportunity Zones
- Federal updates on Opportunity Zones
- State plans to support Rhode Island Opportunity Zones
- Questions will be taken at the end

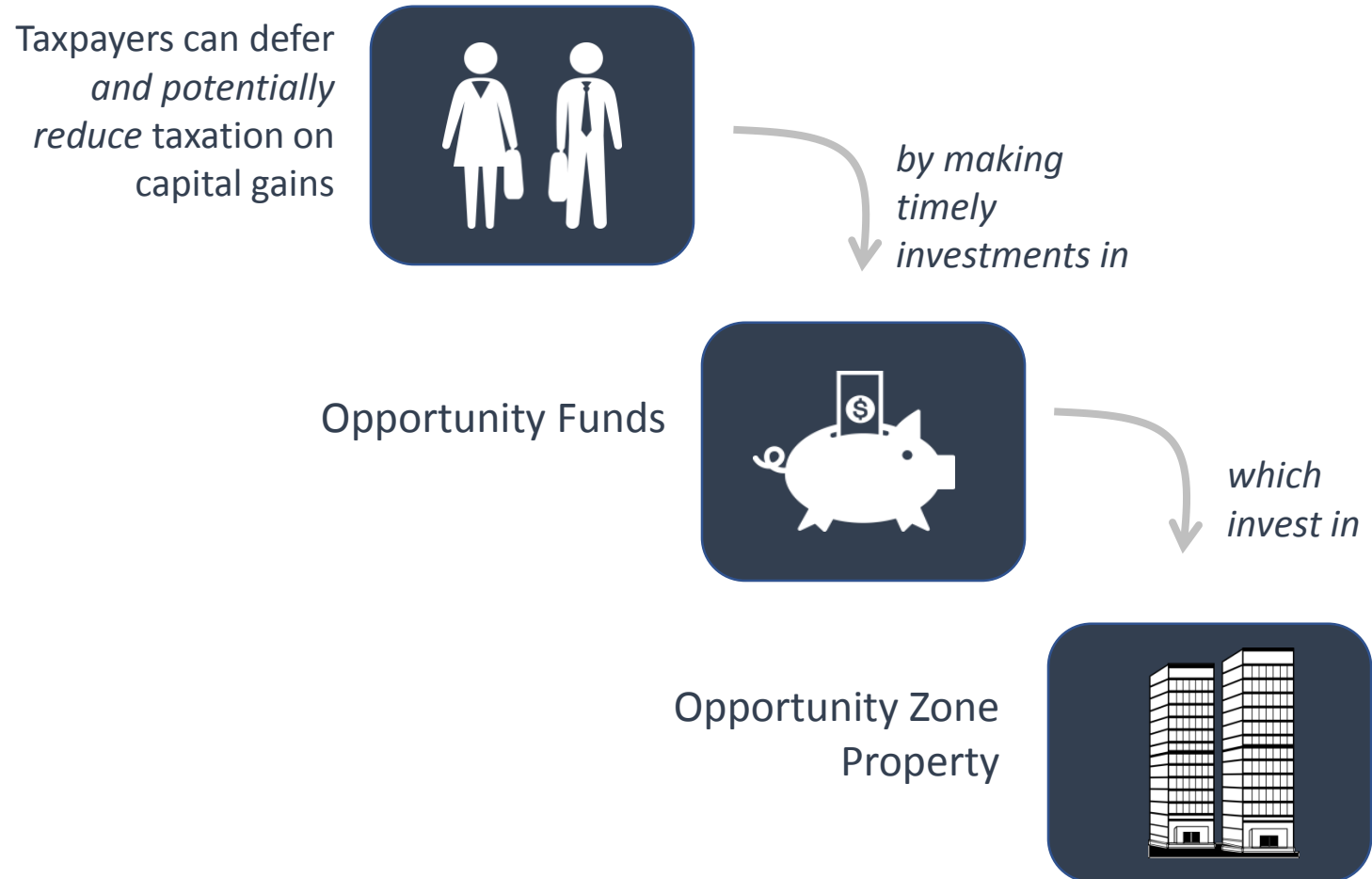
# Opportunity Zones Recap

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- Opportunity Zones is a new economic development tool for designated communities.
- Provides a federal tax incentive for private investors to direct capital gains into equity investments in qualified projects.
- Opportunity Zones in Rhode Island were designated in 25 census tracts across 15 municipalities.

# Opportunity Zones Recap

## How do Taxpayers Benefit?



Source: Novogradac & Company LLP

# Opportunity Zones Recap

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Opportunity Zones offers three tax incentives for investors:

1. Immediate tax deferral of eligible capital gains that are invested in an Opportunity Fund.

The deferral lasts until the earlier of:

- The date that the interest in the Opportunity Fund is sold, and
- December 31, 2026

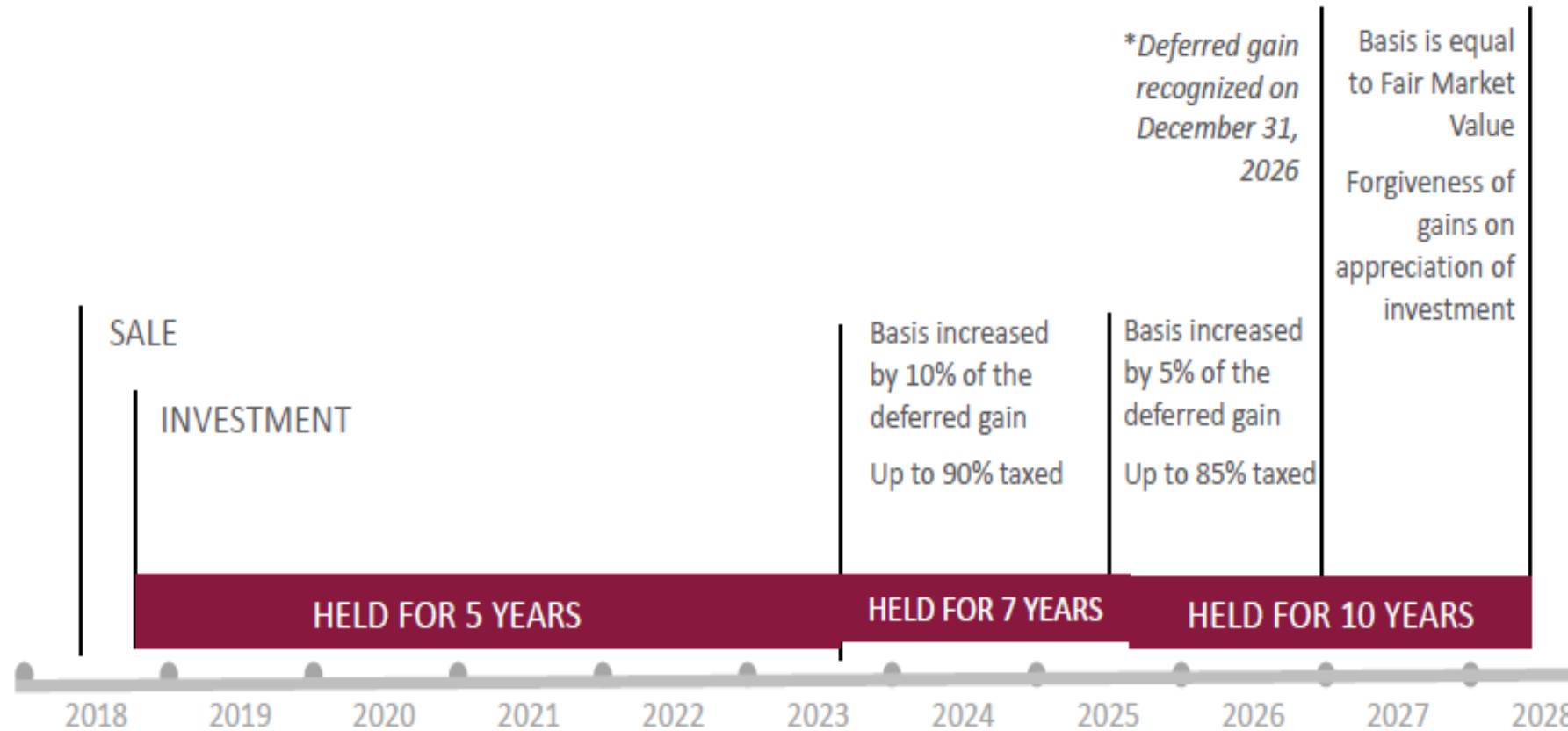
2. Step-up in basis of the deferred-gain investment by:

- 10% if the Opportunity Zone investment is held for 5 years
- Additional 5% (totaling 15%) if the investment is held for 7 years

3. Exclusion of taxation on investment appreciation if the investment is held for 10 years.

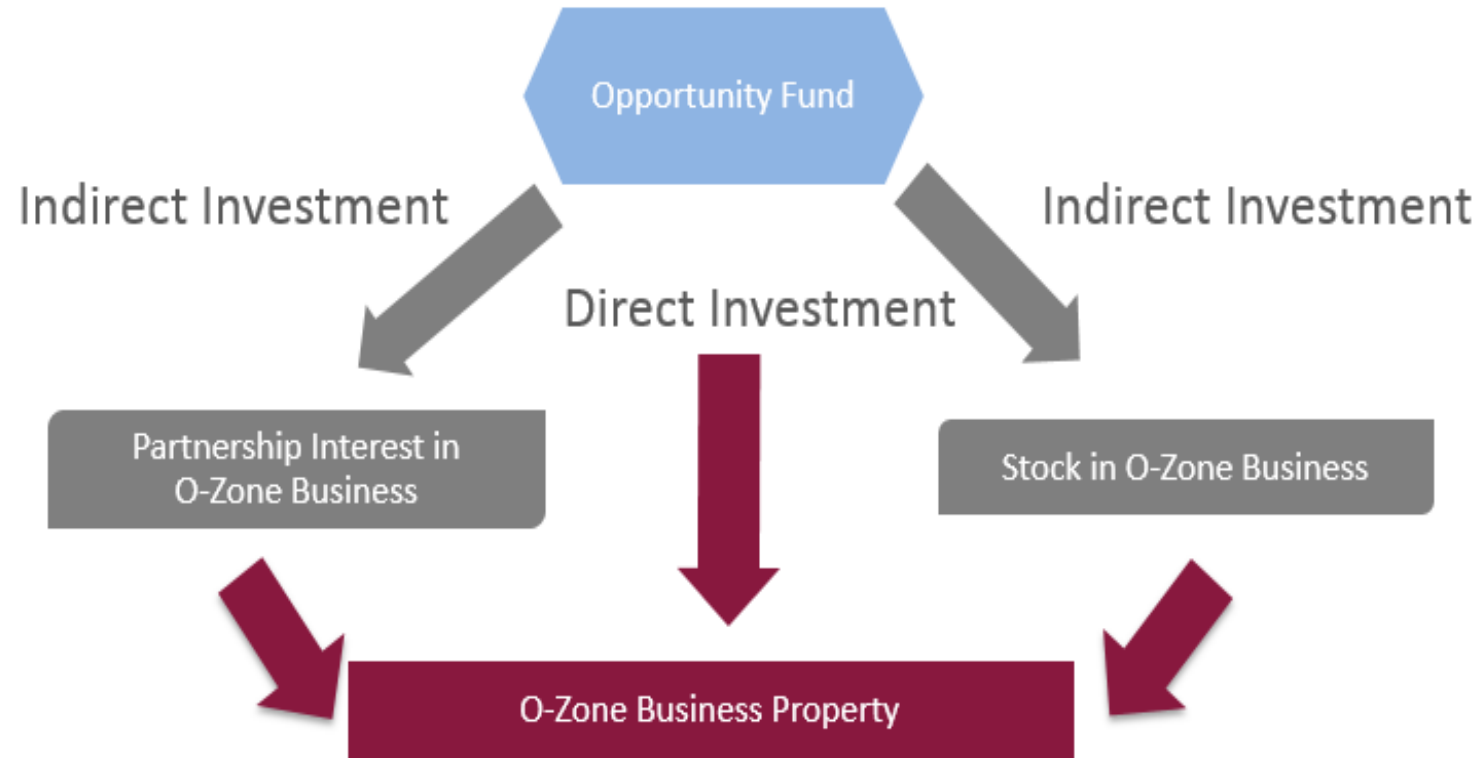
- Qualifying investments must be sold by December 31, 2047 to benefit from this exclusion

# Opportunity Zones Recap



Source: Novogradac & Company LLP

# Opportunity Zones Recap

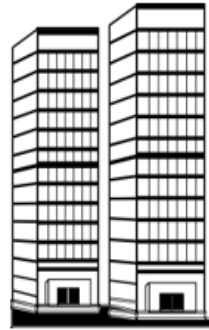


Source: Novogradac & Company LLP

# Opportunity Zones Recap

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## Qualifying Opportunity Zones Projects



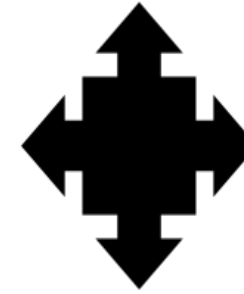
**Real Estate  
Development and  
Significant  
Rehabilitations in  
Opportunity Zones**



**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**

- Must be an equity interest of Opportunity Fund
- Project generally must be substantially attributable to Opportunity Zones investment



# Updates on Opportunity Zones

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Draft regulations were issued by the IRS in October

- Public comments due December 28
- Safe harbor provision for relying on draft regulations
- Expecting current round of regulations to be finalized in early 2019
- Links to proposed regulations can be found on [www.RhodeIslandOpportunity.com](http://www.RhodeIslandOpportunity.com)

13-federal agency Opportunity and Revitalization Council

- Established by Executive Order last week (December 12)
- Council will assess actions to prioritize federal programs and make recommendations to further support Opportunity Zones

# Updates on Opportunity Zones

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Additional guidance is needed to address several important issues. Under current rules, some investment uncertainty for operating businesses in Opportunity Zones, including:

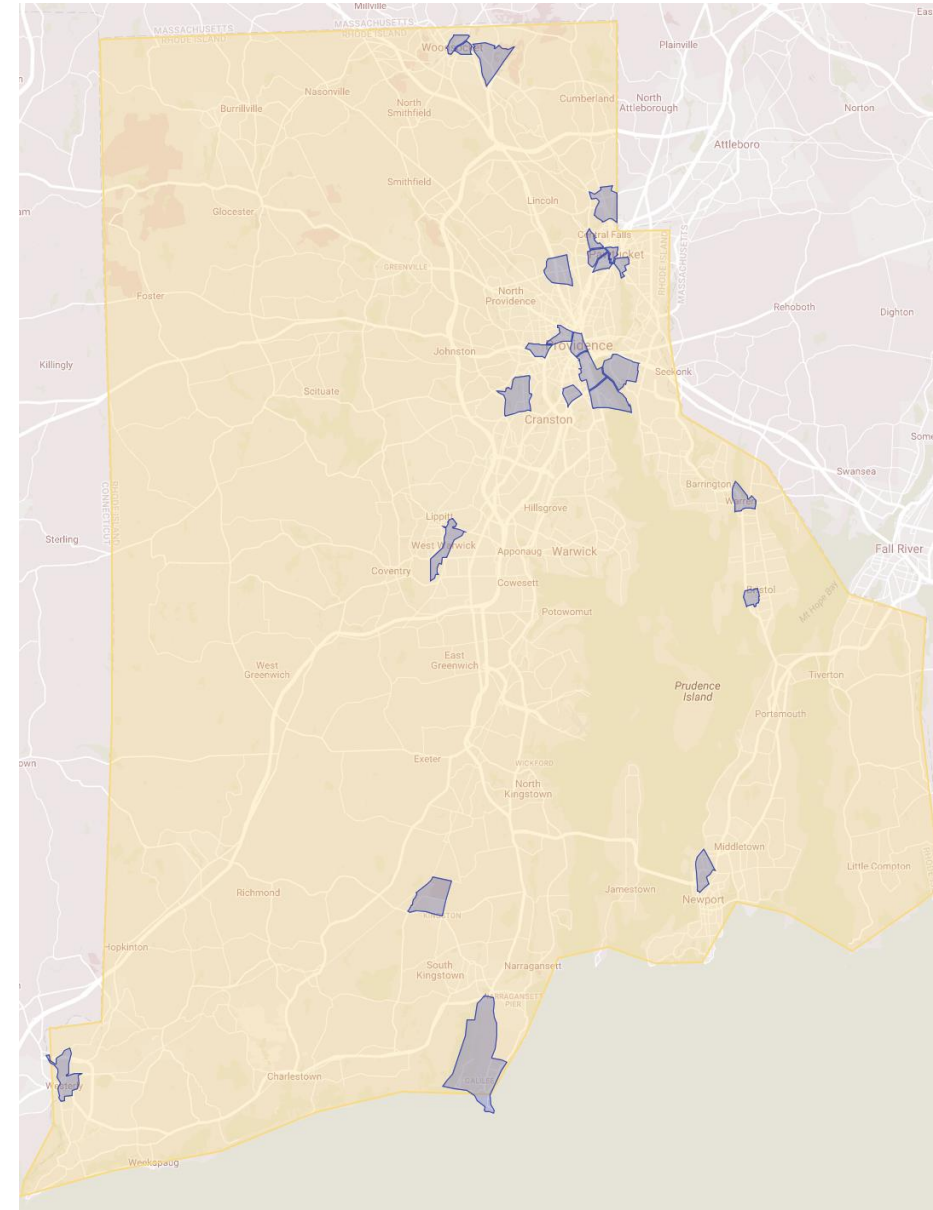
- Opportunity Zone Businesses must have at least 50% of gross income “derived from active conduct” of the business in the Opportunity Zone.
- Unclear tax treatment of recycled investment of capital gains in Opportunity Zones presents potential limits on investment for operating businesses.

Two more rounds of additional guidance from US Treasury/IRS is expected, with the first round expected at the end of 2018 or early 2019.

# Opportunity Zones in Rhode Island



- Rhode Island has 25 Opportunity Zone Census Tracts across 15 municipalities.
- Opportunity Zones were nominated and approved by US Treasury in May 2018
- More information at Rhode Island's Opportunity Zones website:  
[www.RhodeIslandOpportunity.com](http://www.RhodeIslandOpportunity.com)



# Opportunity Zones in Rhode Island

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## Rhode Island Opportunity Zones Statewide Conference

- Full-day event in late-January or February
- Conference will invite municipalities, local chambers, industry associations, local developers and investors, and other potential stakeholders to learn how to get involved in Rhode Island's Opportunity Zones.
- Featuring national Opportunity Zones leaders and experts who will discuss strategies on how communities can attract and maximize investment.
- Targeted breakout sessions, including an Investment Workshop to provide technical assistance to cities and towns and other partners in developing and refining potential investment opportunities.

# Opportunity Zones in Rhode Island

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## What RI Opportunity Zone communities and partners can start doing today:

- Identify potential projects that the community seeks to attract investment for, keeping in mind:
  - Real estate projects must be or have been purchased after December 31, 2017
  - Projects must be seeking equity investment
  - Real estate projects must either be a new development or an existing project that is substantially improved by Opportunity Zone investments
- Consider ways your community can support these projects:
  - Zoning
  - Pre-permitting
  - Tax Stabilization Agreements



[www.RhodeIslandOpportunity.com](http://www.RhodeIslandOpportunity.com)