



**'26** ARIZONA  
DEVELOPMENT  
FINANCE &  
OPPORTUNITY ZONES  
SUMMIT

PANELIST

# Jack Gallagher

Senior V.P. – Tax Director

Globe Corporation

# Qualified Opportunity Zones

What Can and Cannot be Done?

A “Real-Life” Example

# Acronyms

- QOZ = Qualified Opportunity Zone
- QOF = Qualified Opportunity Fund
- QOZP = Qualified Opportunity Zone Property
- QOZB = Qualified Opportunity Zone Business
- NMTC = New Markets Tax Credit

# What Cannot Be Done?

- Cannot take after tax dollars to make an investment and get any benefits
  - e.g., If I invest \$10 million of after-tax cash in a QOF or in a QOZB or in QOZP, I will NOT receive tax free treatment on the appreciation
  - In other words, I can only get tax benefits on dollars that represent capital gain dollars
- Cannot get tax benefits for any capital gain dollars that are more than 180 days old
  - Note: measurement date is key and has some flexibility depending on “who” makes an investment in a QOF

# Zone Geography

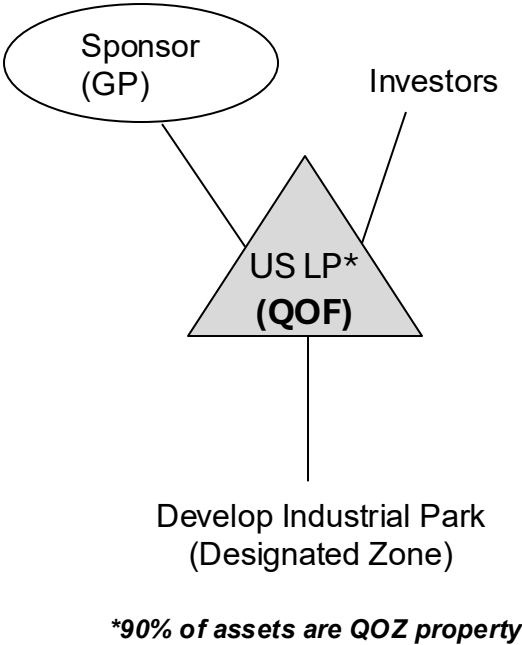
- Determined at the state level, but with Federal Criteria (Census)
- Guaranteed to be within zones already designated as qualifying for New Markets Tax Credit financing (but not all NMTC zones are Opportunity Zones)

# Timing

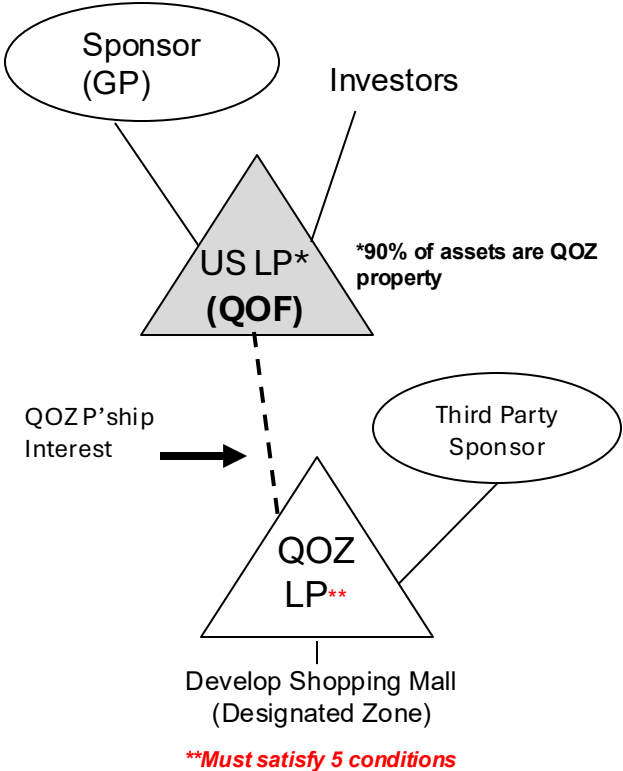
- Capital gain dollars invested in a QOF on or before 12/31/2019 can get full 15% basis step up (“7-year” holding period requirement; drop dead date of 12-31-2026)
- Capital gain dollars invested in a QOF after 12/31/2019 but on or before 12/31/2021 will get only 10% basis step up (“5 year” holding period requirement; drop dead date of 12/31/2026)
- At 12/31/2026 – tax is incurred on the deferred capital gain dollars invested
- Capital gain dollars invested in a QOF on or before 12/31/2026 will get full basis step up on post-investment appreciation “10-year” basis step up
- “10 year” basis step up expires 12/31/2047

# QOF Structures

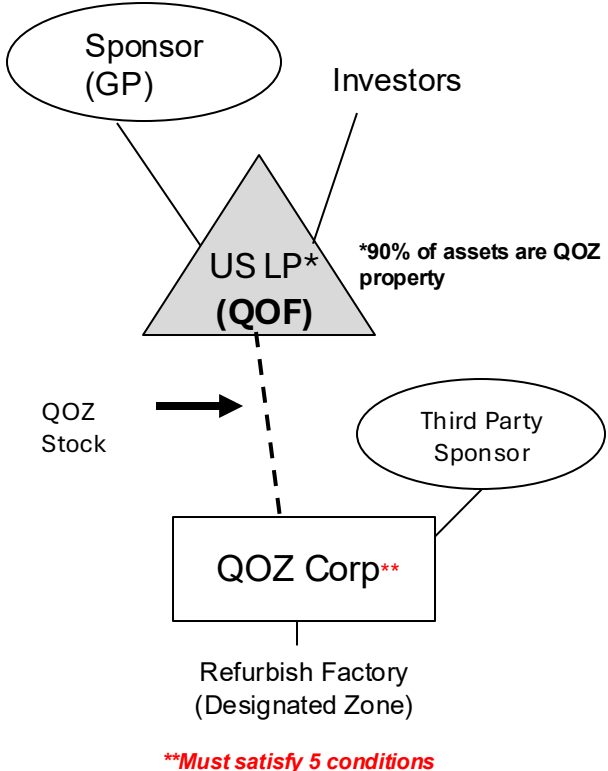
## Direct Investment



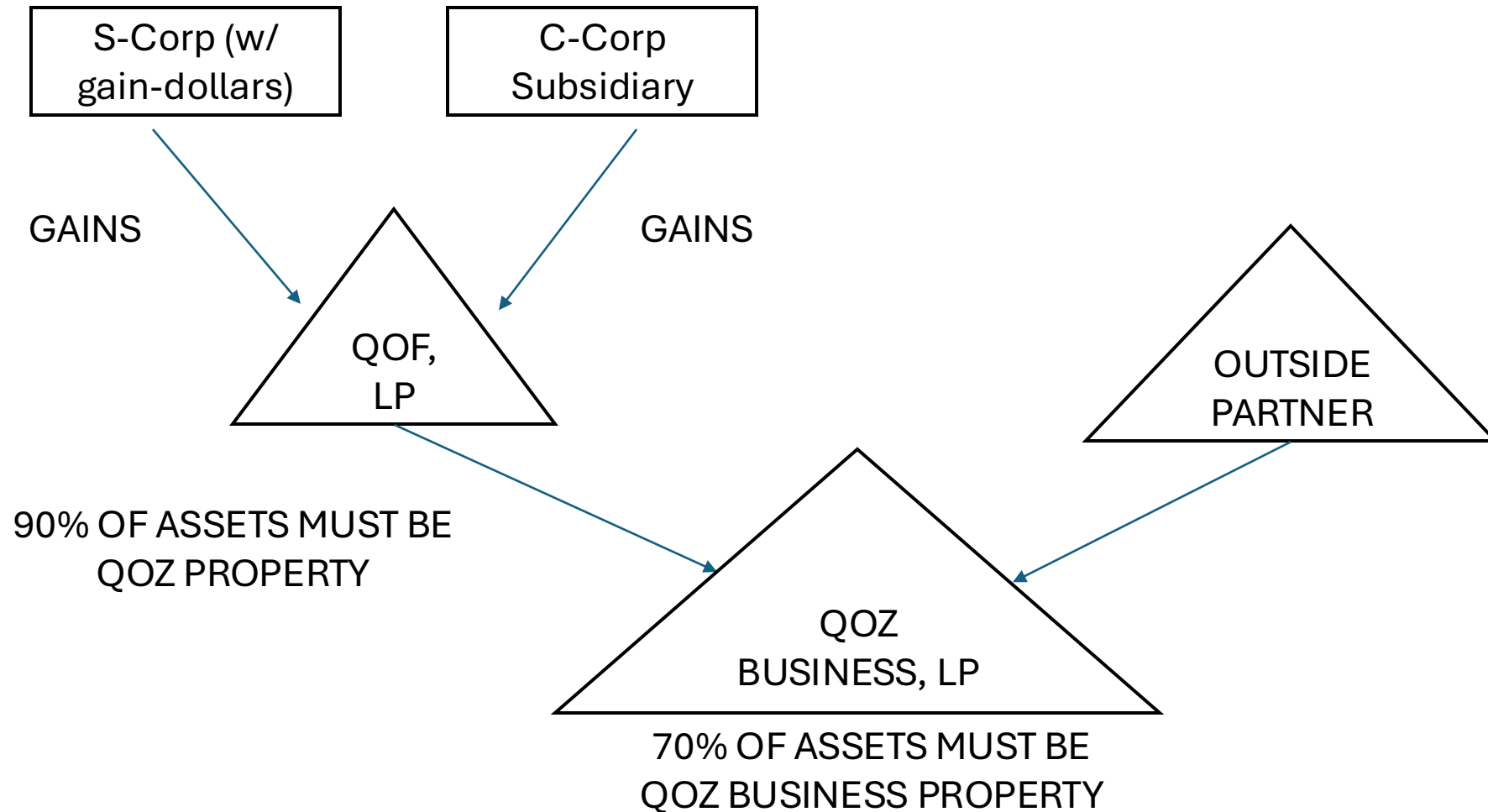
## Indirect Investment QOZ Partnership Interest



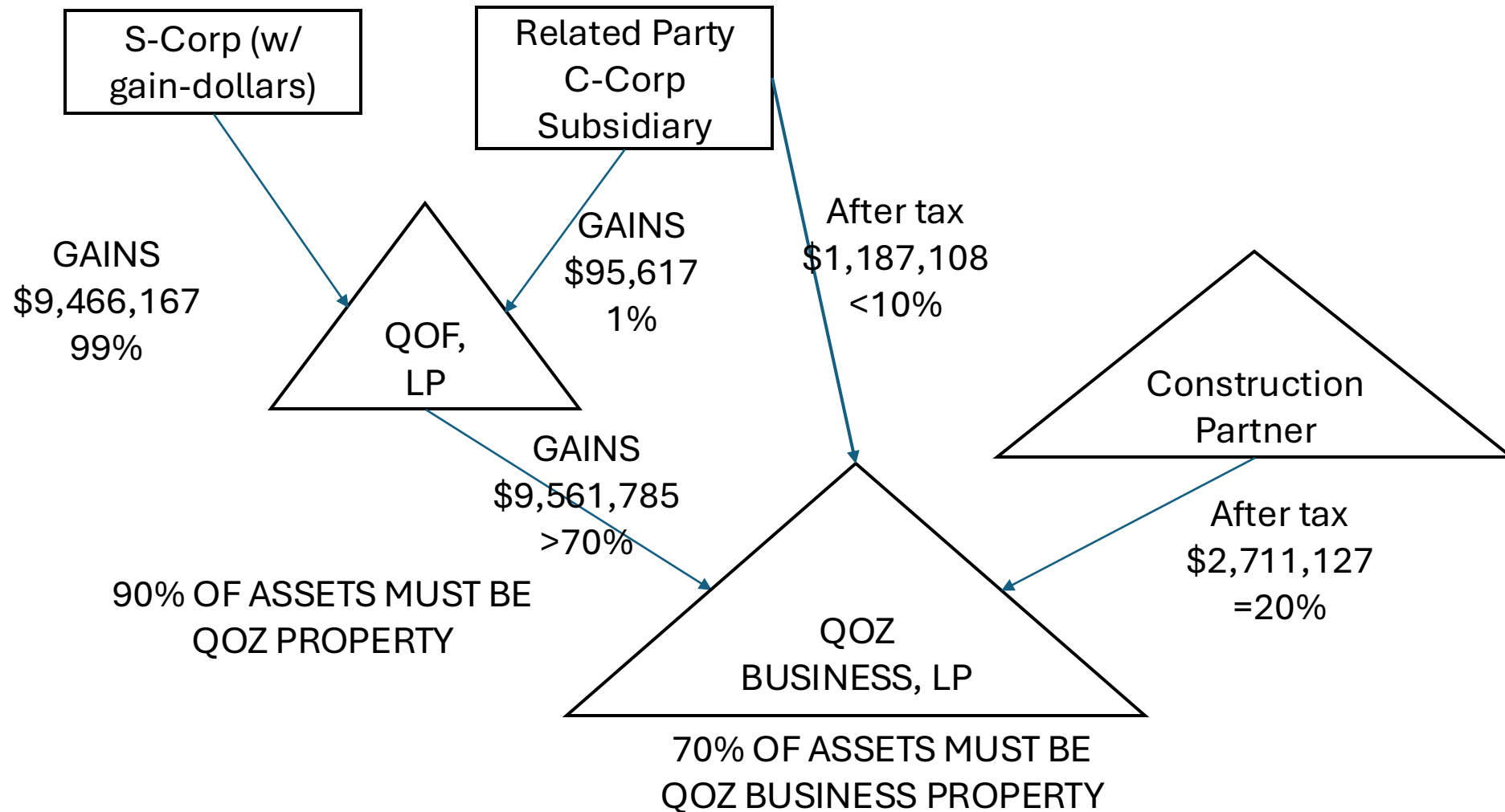
## Indirect Investment QOZ Stock



# Qualified Opportunity Zones



# Qualified Opportunity Zones Tax Year 2019



<b>Proceeds Allocation Tax year 2021</b>							
<b>Preferred Returns &amp; Promoted Interests</b>							
QOZ Business, LP							
		<b><u>QOF, LP</u></b>		<b><u>C-Corp Sub</u></b>		<b><u>Construction Partner</u></b>	<b><u>Total</u></b>
Priority Pref							-
Other Pref		1,753,305		316,368		525,016	2,594,689
Capital Contributions	71%	9,561,785	9%	1,282,725	20%	2,711,127	13,555,637
Promote	53%	9,497,458	7%	1,286,938	40%	7,189,597	17,973,994
<b>Total</b>		<b>20,812,548</b>		<b>2,886,031</b>		<b>10,425,741</b>	<b>34,124,320</b>
		60.99%		8.46%		30.55%	



# Qualified Opportunity Zones Tax Year 2021

## - Post Redemption

