



Opportunity Zones in Idaho
Idaho Society of Professional Engineers
June 13, 2019

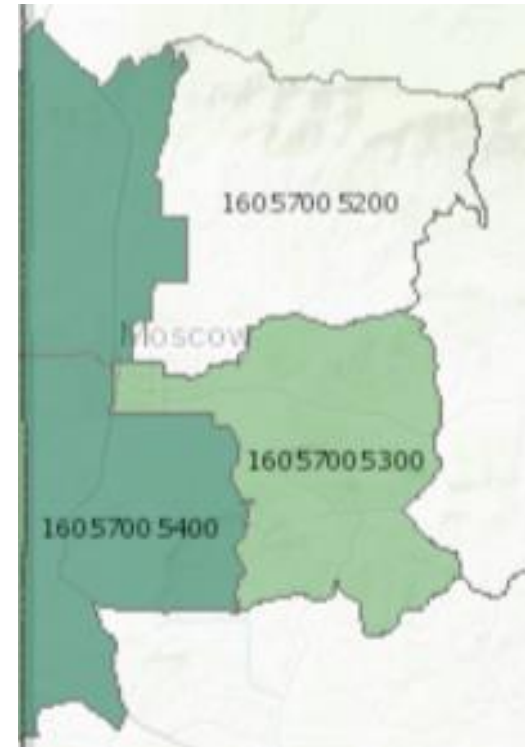
What is an Opportunity Zone?

- Tax Cuts and Jobs Act of 2017
- Opportunity Zones are economically distressed Census Tracts.
 - Poverty Rate 20% plus or
 - Median family income below 80% of state
 - New Market Tax Credit Census Tract
- Each state was allowed to designate 25% of their eligible census tracts for the program



Opportunity Zone Designation

- State issued an RFP for nominations. 59 Request for 28 spots
- Governor's Economic Advisory Council vetted proposals and made recommendations to Governor Otter
- 20 Rural (70%) – 8 Urban (30%)
- Official Opportunity Zone Map



https://www.cims.cdfifund.gov/preparation/?config=config_nmtc.xml

Opportunity Funds

- Must be organized as a corporate entity
- Must be certified by the U.S. Treasury (self certification)
- Only capital gains qualify for tax benefits
- 90% Obligation Test
 - 180 Days
 - December & June Tests



Opportunity Funds Targeting Idaho

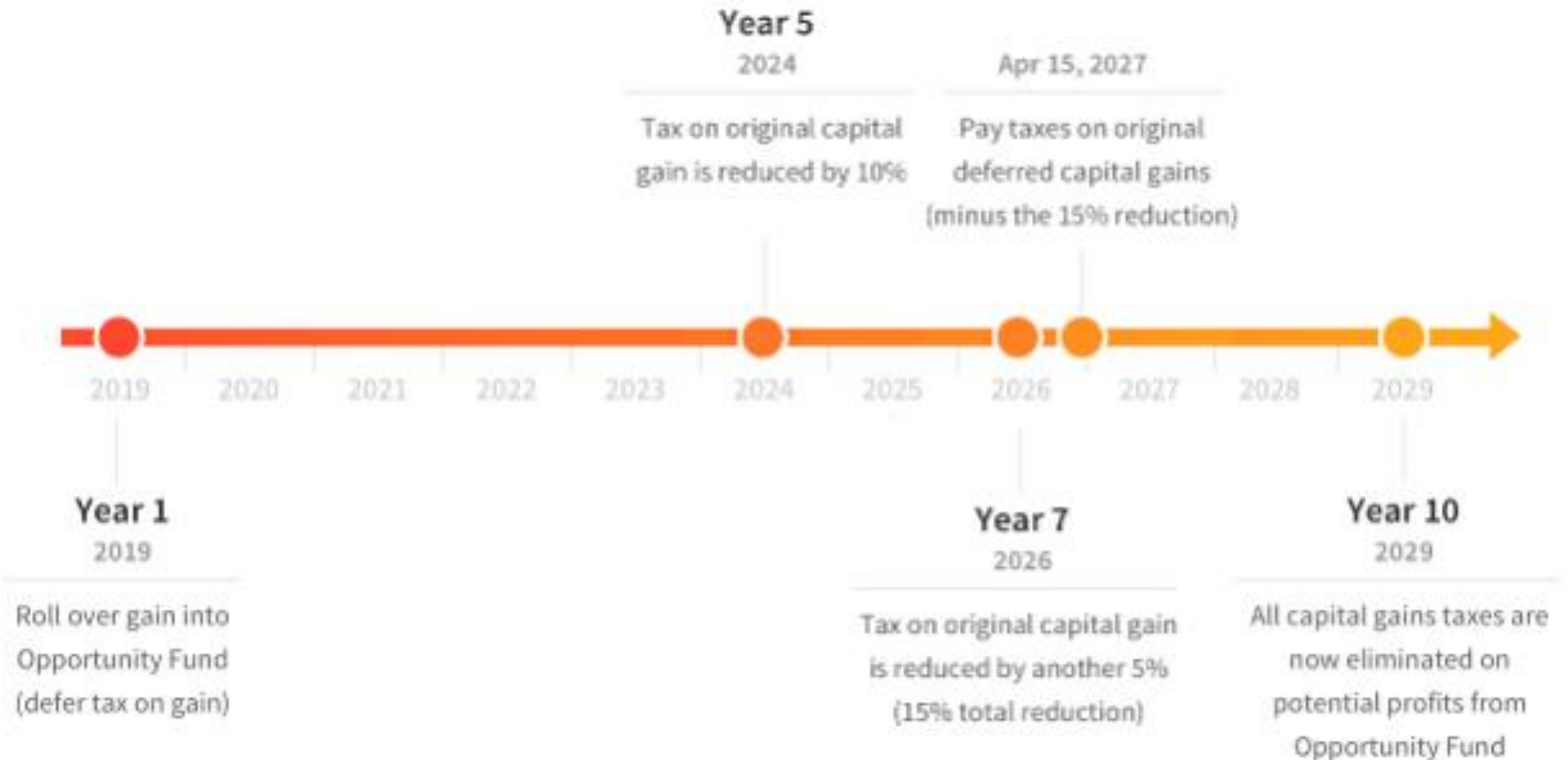
- Galena Opportunity Fund (Boise)
- HR Capital (Chicago)
- Sortis Opportunity Zone Funds (Portland)
- Opportunity Fund Directory
<https://www.ncsha.org/resource/opportunity-zone-fund-directory/>



Opportunity Zone Investment Benefits

| Benefit | Timing |
|---------------|---|
| Deferral | Deferred payment on existing capital gains taxes. Expires December 31, 2026 |
| 10% Exclusion | If capital gains are invested for 5 years or more. Expires December 31, 2026. |
| 15% Exclusion | If capital gains are invested for 7 years or more. Expires December 31, 2026. |
| No New Gains | No taxes on new gains earned on the Opportunity Fund Investment (Sunsets 12/31/47). |
| Anytime | Can be used alongside other local and state incentives. Federal incentives TBD. |

Opportunity Zone Investment Benefits



1031 Exchanges vs Opportunity Fund

| | 1031 | Opportunity Fund |
|-----------------------------|--|--|
| Rollover | 180 Days From Sale | 180 Days From Sale |
| Intermediary | Yes | No |
| Investment Structure | Real Estate Asset | Real Estate or Business |
| Proceeds to be invested | All | Capital Gains |
| Capital Gains Deferral | Indefinite | Dec 31, 2026 |
| Capital Gains Reduction | None except through step up basis on death | 5 Years = 10% Exclusion 7 years = 15% Exclusion |
| Inheritance | Heirs pay capital gains taxes | Benefits passed on to heirs |
| Capital Gains on Final Sale | Owe on sale of asset | None if investment is held for held for 10 years or more |

Real Estate

- Must be located in an Opportunity Zone
- Acquired after 12/31/17
- 20% Related Party Test
- Must be a business property
- Property must be improved



Real Estate

- Original Use (New Construction)
- Rehab Investment = Acquisition Costs – Land
- 5 Year Vacancy = Original Use
- 31 months to spend with exceptions.
- Projects may include mixed funds. (debt & other capital)



Property Incentives

| Incentive | Qualifications – Responsible Agency |
|---------------------------------------|---|
| Property Tax Relief | \$500K Investment Non Retail Business Property. Contact County Commission for more info. |
| Large Business Property Tax Exemption | \$1 billion in capital improvements = Assessment capped at \$400 million – Idaho Tax Commission |
| Historic Tax Credits | Certified Historic Structure – National Park Service/Idaho Historical Society |
| Energy Incentives | Rebates & Discounts - Contact local power company |
| Brownfields | Assessment & Clean up - Idaho Department of Environmental Quality |
| Low Income Housing Tax Credits | Competitive Process– Idaho Housing and Finance |
| Public Infrastructure Grants. | Address specific – Idaho Commerce & Local Cities |

Business Investments

- Opportunity Funds may own stock or equity
- Opportunity Funds may be used alongside other capital and/or debt
- 70% Asset Test



Active Business Test

- 50% gross income generated by business operations in the zone.
- 50% of hours worked (employees & contractors) in the zone
- 50% of payroll (employees & contractors)
- Facts and Circumstances



Business Incentives

| Incentive | Qualifications – Responsible Agency |
|-------------------------------------|---|
| Tax Reimbursement Incentive | Up to 30% of Income, Payroll & Sales taxes for companies creating jobs (20 Rural, 50 Urban) and an average payroll exceeding a counties average wage – Idaho Commerce |
| 3% Investment Tax Credit | 3% Credit on all new, depreciable personal property (equipment & machinery) - ID Tax Commission |
| Workforce Development Training Fund | Grants to train new employees. Jobs must pay \$12 per hour or higher and offer benefits – Idaho Workforce Development Council |
| Workforce Opportunity Tax Credit | Tax credits for hiring targeted populations. – Idaho Department of Labor |

Ineligible Businesses

- Golf Courses & Country clubs
- Massage parlors
- Hot Tub facilities
- Suntan Facilities
- Racetrack or Gambling Facility
- Liquor Stores (Breweries & Wineries?)
- Farmland/Forest Land



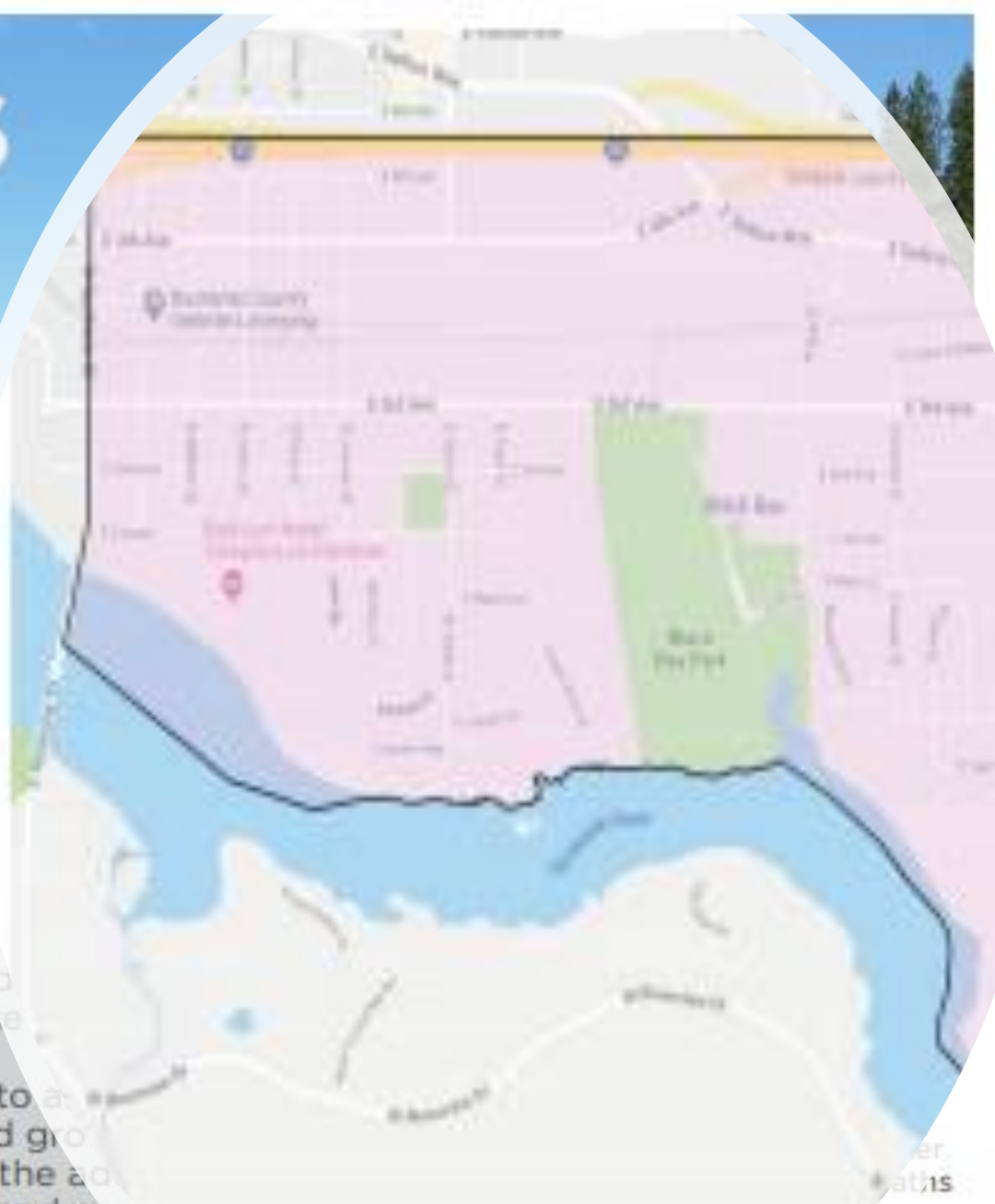
Outstanding OZ Issues

- Integration with other federal programs
- Unsettled rules
- Gentrification
- Historic Preservation
- Other tax credits and public investment tools
- Reporting Requirements



POST FALLS

Idaho Opportunity Zone



OPPORTUNITY ZONE OVERVIEW

The City of Post Falls has long seen this Opportunity Zone as a critical piece to the city's identity, economic development and downtown core. It is regarded as a recreational gem.

The Post Falls Opportunity Zone provides the city with an important tool to assist with developing the area into

a vibrant community for its citizens and to increase tourism and workforce.

In order to assist with increased growth, the city believes the addition of medical and commercial facilities, along with other services, is needed in this area.

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<https://commerce.idaho.gov/communities/opportunity-zones/>

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