

Title: Qualified Opportunity Zones - What Rich People Do To Defer Capital Gains

Author: areallygoodsandwich

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CPA here. I'll write a more detailed DD on this in the future but had to at least post something on it.

TADR: You can defer paying tax for 5 years and profits made from your investment are tax free. It's hard to pull your money out from these so only invest what you don't need

Basically they're funds that invest in federal disaster zones or impoverished areas (think like a big pool of money buys a hotel).

Since they're in special zones you get special tax treatment. I'll have to double check if you also get a step-up basis as well (increases your cost basis, what you paid for the stock)

Here's an example:

Scenario 1 - doesn't use qualified opportunity zones

GME ape buys \$5k of GameStop and sells at the peak for \$100M. Congrats. \$99,995,000 is subject to capital gains

Scenario 2- QOZ is used

GME ape buys \$5k of Gamestop and sells at the peak for \$100M. Congrats.

Ape invests this \$100M in a Qualified Opportunity Zone. Ape is smart.

Year 1-4: ape doesn't pay any capital gains from selling GME

Year 5: Ape's \$100M investment is now worth \$200M. Ape withdraws 100% of their investment.

Ape now has to pay the original tax on the \$99,995,000 from 5 years ago. The \$100,000,000 gain from the QOZ investment (\$200M-\$100M) is NOT TAXED

*note, if the step up basis is still valid, Apes adjusted cost basis would be $\$5,000 \times 1.1$ (10% step-up basis) = \$5,500. So now they would only have \$99,994,500 subject to tax...5 years after they sold GME. Nothing major but adds up when you're in the highest tax bracket.

I don't know if foreign apes are allowed to invest in QOZs but will verify when I do an official write up.

Again, I'll have a more official DD on this but just had to get it off my chest. There are certain rules on these but now it's on everyone's radar.

Time to go buy a Mother's Day card. Sandwich out.