Structure P.C. Opportunity Zone White Paper

Opportunity Zones are one of the most important tax incentives ever created in the internal revenue code. Opportunity Zones allow investors to defer and reduce capital gains taxes, and potentially permanently eliminate tax on appreciation and depreciation recapture on their OZ investment. They can function as an alternative to a 1031 exchange and are available to a broad spectrum of capital gains that would not otherwise be eligible for a traditional 1031.

Originally codified with the 2017 Tax Cuts and Jobs Act, the OZ 1.0 program was expected to expire in 2026 but was permanently renewed under an OZ 2.0 program with the July 2025 One Big Beautiful Bill. Opportunity Zones are low-income census tracts nominated by State governments and certified by the US Treasury. The Opportunity Zone incentive is intended to attract capital and job creation into these census tracts to spur economic development. Structure P.C. welcomes the opportunity to discuss this powerful tax incentive with you.

Benefits of OZ 1.0:

- Deferral period expires 12/31/2026.
- 1.0 zones will remain designated as such for 1.0 benefits for investments until 12/31/28, but no gain deferral after 12/31/2026.
- No tax on appreciation & full basis step up after a 10 year hold.
- No depreciation recapture after 10 year hold.
- Excellent vehicle for tax advantaged generational wealth building.
- Program expires after 2047, at which point investment basis will be stepped up to fair market value if still held.

Benefits of OZ 2.0:

- New zones will be identified by states between 7/1/26 and 12/31/26, and certified by the US Treasury by 12/31/26. Every 10 years, new zones will be designated making the program permanent.
- Gain is deferred for 5 years from investment into a 2.0 OZ and the investment period opens 1/1/2027; investments into a rural OZ are eligible for a 30% permanent gain exclusion at year 5, and urban OZs provide a 10% perm gain exclusion at year 5.
- No tax on appreciation & full basis step up after a 10 year hold.
- Excellent vehicle for tax advantaged generational wealth building.
- No depreciation recapture after a 10 year hold. Full basis step up to fair market value at year 30 if not previously disposed.
- New reporting requirements with significant penalties for non-compliance.

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OZ qualification:

Investors have 180 days from an eligible capital gain recognition event to form or invest their gain into a Qualified Opportunity Fund (QOF). QOFs invest into a Qualified Opportunity Zone Business (QOZB), and QOFs typically have up to 12 months to deploy capital into a QOZB pursuant to a plan. QOZBs in turn have 31-62 months to deploy capital received pursuant to a plan. If the QOZB is involved in real estate development/ownership it must either meet a substantial improvement test or an original use test, and must operate a trade or business, so rental activity cannot be triple net. QOZBs can also be non-real estate businesses such as technology, manufacturing, staffing, equipment rental, services, etc. Several other tests and reporting requirements apply, which makes it critical to have a strong tax advisory team like Structure P.C. supporting any OZ structure and investment.

Eligible capital gains can be short or long term, and may be personal, portfolio, passive or non-passive in character. Examples of eligible capital gains:

- Gain from the sale of a primary residence,
- Sale of investment property,
- Sale of a business,
- Sale of crypto,
- Sale of stocks & bonds,
- Boot from a 1031 exchange,
- And many other sources.

Many strategies to consider:

- Providing recapitalization capital to existing projects located in OZs.
- Self-directed investments into original use property.
- Self-directed ground up development.
- Self-directed non-real estate business.
- Investing as LPs into more traditional private equity ground up development vehicles or non-real estate businesses, with minimum 10-year holds.
- OZ capital is an excellent source of financing during entire life cycle of investment and development for fund sponsors, developers and business owners.
- Bonus depreciation and layered federal, state and local incentives can supercharge investment returns to create very compelling investment opportunities compared to non-OZ investments.

Estate Planning:

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Qualified Opportunity Zone investments included in a decedent's gross estate generally receive a basis step-up to fair market value under Section 1014 upon death. In addition, if the investment is disposed of after a minimum 10-year holding period, the estate or beneficiaries may elect a further basis adjustment to fair market value under the Opportunity Zone rules, with the decedent's holding period generally carrying over. While assets that bypass probate or are held in grantor trusts may still receive a Section 1014 step-up, OZ investments that do not receive a death-time basis adjustment may nonetheless qualify for the Opportunity Zone FMV election upon disposition following a qualifying 10-year hold.

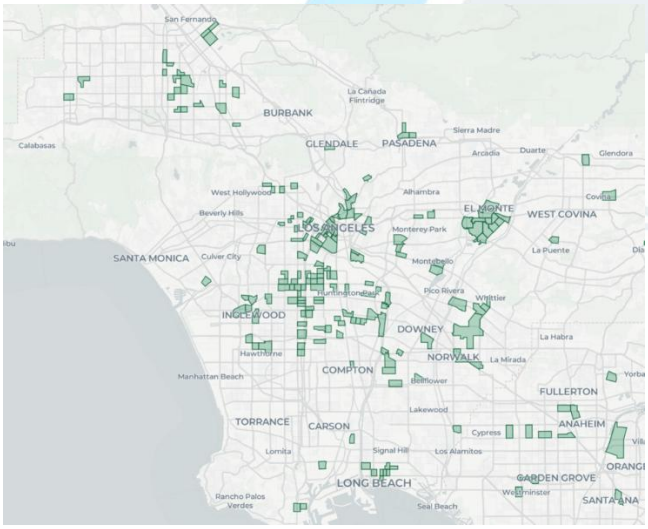
California and other states:

Please note that California designates census tracts as opportunity zones, however, the state does not conform to the benefits of the federal OZ program nor does it conform to federal bonus depreciation rules. As such, investments into California OZs have the same benefits as reflected above for federal tax purposes, but for California state income tax purposes, investors receive full California tax basis and regular depreciation on investments into a California OZ.

Other states may or may not conform to the benefits of the program even if they have designated a census tract as an OZ, so careful planning is crucial.

Example OZ locations:

This map depicts OZ 2.0 certified Opportunity Zones in the LA region in green which become effective 1/1/2027. Detailed maps are available nationwide to evaluate any potential location: https://Opportunityzones.com/map/?layers=nom,rural,other

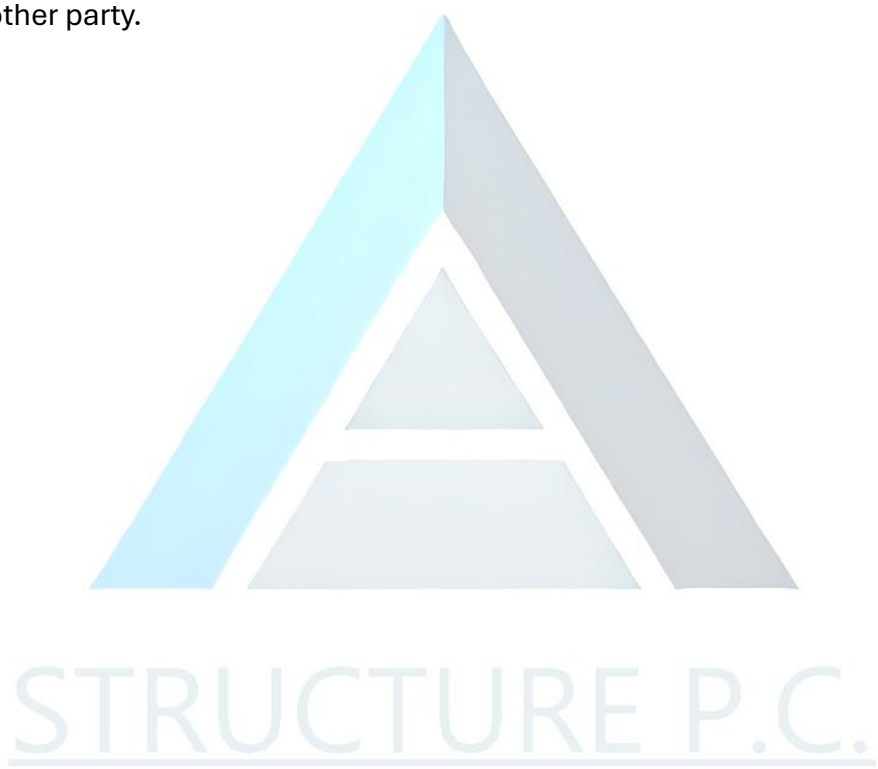


**Designations certified by the US Treasury November 5, 2026 as nominated by the states. Nominations based on American Community Survey data for census tracts meeting the area median income criteria.*

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