
OZ 1.0**OZ 2.0****OPPORTUNITY
ZONES
LEGISLATION**

Enacted

December 22, 2017

July 4, 2025

Duration

Expires December 31, 2026; Temporary

Starts January 1, 2027;
Permanent with 10 Year Cycles

**OPPORTUNITY
ZONES CENSUS
TRACTS
DESIGNATIONS****OZ Census Tract
Designation**

One-Time Census Tract Designation

Designations every 10 Years
(2027, 2037, 2047, etc.)

**Date OZ Census
Tracts
Designated**

July 9, 2018

First 10 Year Designation:
Fall/Winter 2026**Date OZ Census
Tracts End**

December 31, 2028

First 10 Year Designation:
December 31, 2036

**# of Designated
OZ Census
Tracts**

8,764

To be Determined in 2026
(Estimated ~6,500)

Governor Nomination Criteria	Governors could nominate up to 25% of eligible LIC tracts; up to 5% could be non-LIC contiguous tracts meeting $\leq 125\%$ median income criteria	Governors could nominate up to 25% of eligible LIC tracts
"Low Income Community" Definition	IRC §45D(e): <ul style="list-style-type: none"> • Poverty rate $\geq 20\%$, or • Median family income $\leq 80\%$ of metro/non-metro median 	Tightened: Must meet either: <ul style="list-style-type: none"> (i) median family income $\leq 70\%$ of area MFI, or (ii) poverty rate $\geq 20\%$ and MFI $\leq 125\%$ of area median.
What ACS Data Set Was / Will be Used?	Based on 2011-2015 American Community Survey (ACS) data / Per IRS Bulletin 2018-9	Uses most recent 5 year period for which data is available (could be 2020-2024 ACS data-not yet released) / IRS to Provide Guidance
Contiguous Census Tracts Eligibility	Up to 5% may be non-LIC contiguous tracts with AMI $\leq 125\%$	Contiguous tract nominations are explicitly prohibited
OPPORTUNITY ZONES TAX BENEFITS		
Original Gain Deferral	Gain Deferred Until 12/31/26 (Fixed Date)	5-Year Rolling Deferral
Original Basis Step-Up	10% (Holding Period: At 5 Years); Only if invested by 12/31/21 plus an additional 5% (15%) (Holding Period: At 7 Years); Available only if invested by 12/31/21	10% (Holding Period: At 5 Years); 30% for QROF Investments in Rural Areas (Holding Period: At 5 Years)

**New Gain
Exclusion**

Permanent after 10 Years
(Basis to Fair Market Value/FMV)

Permanent after 10 Years
(Basis to Fair Market Value/FMV)

**Gain
Elimination
Period**

End December 31, 2047

Rolling 30-Years

**OPPORTUNITY
ZONES
"SUBSTANTIAL
IMPROVEMENT"**

**Substantial
Improvement**

After acquiring a property, a Qualified Opportunity Fund (QOF) must, within 30 months, invest an amount greater than the adjusted basis of the property at acquisition. In other words, you must double your basis in improvements to qualify it as qualified opportunity zone business. (100% improvement, excluding land)

No changes, except for new "Qualified Rural Opportunity Fund" investment in OZ comprised entirely of a "rural area" rather than 100% improvement needed, reduces to 50%. This became effective on July 4, 2025.

**OPPORTUNITY
ZONES "RURAL
AREA" BENEFITS**

**Rural
Investments**

Effective with signing of The OBBB (July 4, 2025): 50% Substantial Improvement Threshold (Instead of 100%) for Qualified Rural Opportunity Funds (QROF)

30% Step-Up in Basis after 10 Years + 50% Substantial Improvement Threshold (instead of 100%) for Qualified Rural Opportunity Funds (QROFs)

"Rural Area" Definition	Through 7/4/25: Not Applicable As of 7/4/25: See OZ 2.0 Definition	Any area other than – 1) A city or town that has a population of greater than 50,000 inhabitants, and 2) Any urbanized area contiguous and adjacent to a city or town (described in 1)
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Rural OZ Census Tracts	On September 30, 2025, US Department of Treasury issued Notice 2025-50 "Substantial Improvement of Property in Rural Areas" that included the identification of 3,309 of the 8, 764 OZ 1.0 Census Tracts as "Rural Areas" OZ	OZ 2.0 designations will include which are OZ Rural Areas
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OPPORTUNITY ZONES REPORTING

Compliance and Reporting	IRS Forms (self-certification and capital gain reporting)	IRS Forms (self-certification and capital gain reporting), Enhanced Reporting (mandatory annual disclosures and public transparency requirements), and Compliance Regulations
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IRS Forms	QOFs: Must file annually IRS Forms 8996 and 8997 Investors: must report deferrals and inclusion events on IRS Form 8949 (Consult Tax Advisor)	QOFs: Must file annually IRS Forms 8996 and 8997 Investors: must report deferrals and inclusion events on IRS Form 8949 (Consult Tax Advisor)
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Treasury Reporting	Not Applicable	Annual Reports and 6th Year and 11th Year
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New Reporting Requirements

New OZ 2.0 Reporting Requirements go into effect for the 2026 Tax Year

New OZ 2.0 Reporting Requirements go into effect for the 2026 Tax Year

OPPORTUNITY ZONES KEY DATES

Key Dates

12/31/19: Last day to invest to qualify for 7-year / 15% step-up
12/31/21: Last day to invest to qualify for 5-year / 10% step-up
12/31/26: Capital gain deferral period ends; deferred taxes are due
12/31/28: OZ 1.0 Census Tracts Expire
12/31/47: Final date to sell QOF investment and still elect FMV step-up (10-year rule)

7/1/26: New OZ Census Tracts determination period begins
Q4 2026: US Treasury will certify and designate new OZ 2.0 census tracts
1/1/27: OZ 2.0 Begins

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:



Thomas M. David, County Attorney

LR26-0449

