

NOVOGRADAC

# Hawaii OZ 2.0 Workshop

**Brent Parker, CPA**

Partner, Long Beach

Novogradac

[brent.parker@novoco.com](mailto:brent.parker@novoco.com)

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[www.novoco.com](http://www.novoco.com)

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***In the Senate of the United States,***

*July 1 (legislative day, June 30), 2025.*

*Resolved*, That the bill from the House of Representatives (H.R. 1) entitled “An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14.”, do pass with the following

**AMENDMENT:**

Strike all after the first word, and insert the following:

**1 1. TABLE OF CONTENTS.**

**2     *The table of contents of this Act is as follows:***

*Sec. 1. Table of contents.*

**TITLE I—COMMITTEE ON AGRICULTURE, NUTRITION, AND  
FORESTRY**

**Subtitle A—Nutrition**

*Sec. 10101. Re-evaluation of thrifty food plan.*

*Sec. 10102. Modifications to SNAP work requirements for able-bodied adults.*

*Sec. 10103. Availability of standard utility allowances based on receipt of energy assistance.*

*Sec. 10104. Restrictions on internet expenses.*

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*Sec. 10106. Administrative cost sharing.*

*Sec. 10107. National education and obesity prevention grant program.*

*Sec. 10108. Alien SNAP eligibility.*

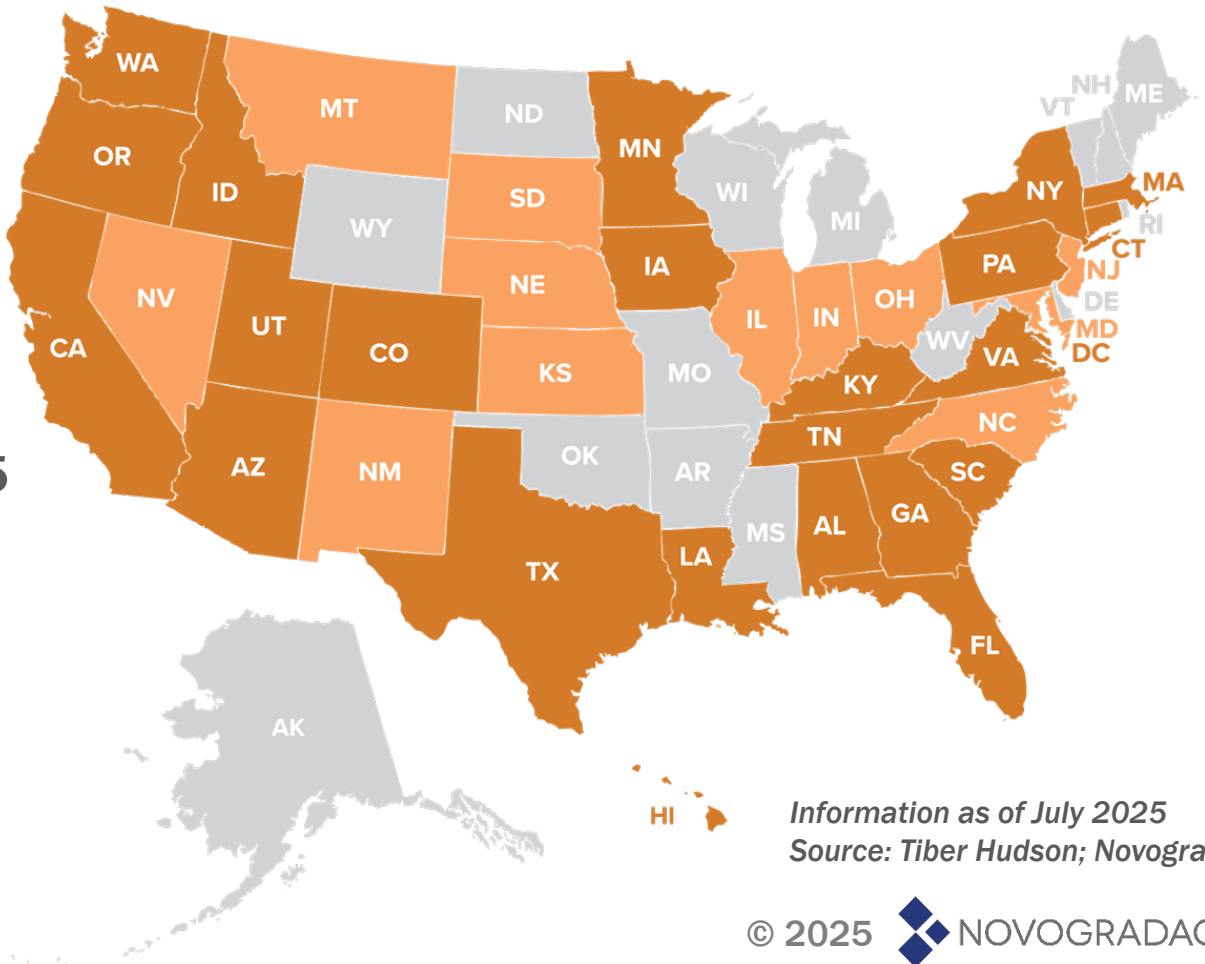
# Final FY2025 Reconciliation Bill

*Impacts on LIHTC, NMTC,  
OZ and RETCs*

LIHTC PROVISION

Lowering the 50% Test to 25%

1,143,000 additional homes over 2026-2035  
*(Estimate as of Jun. 2025)*



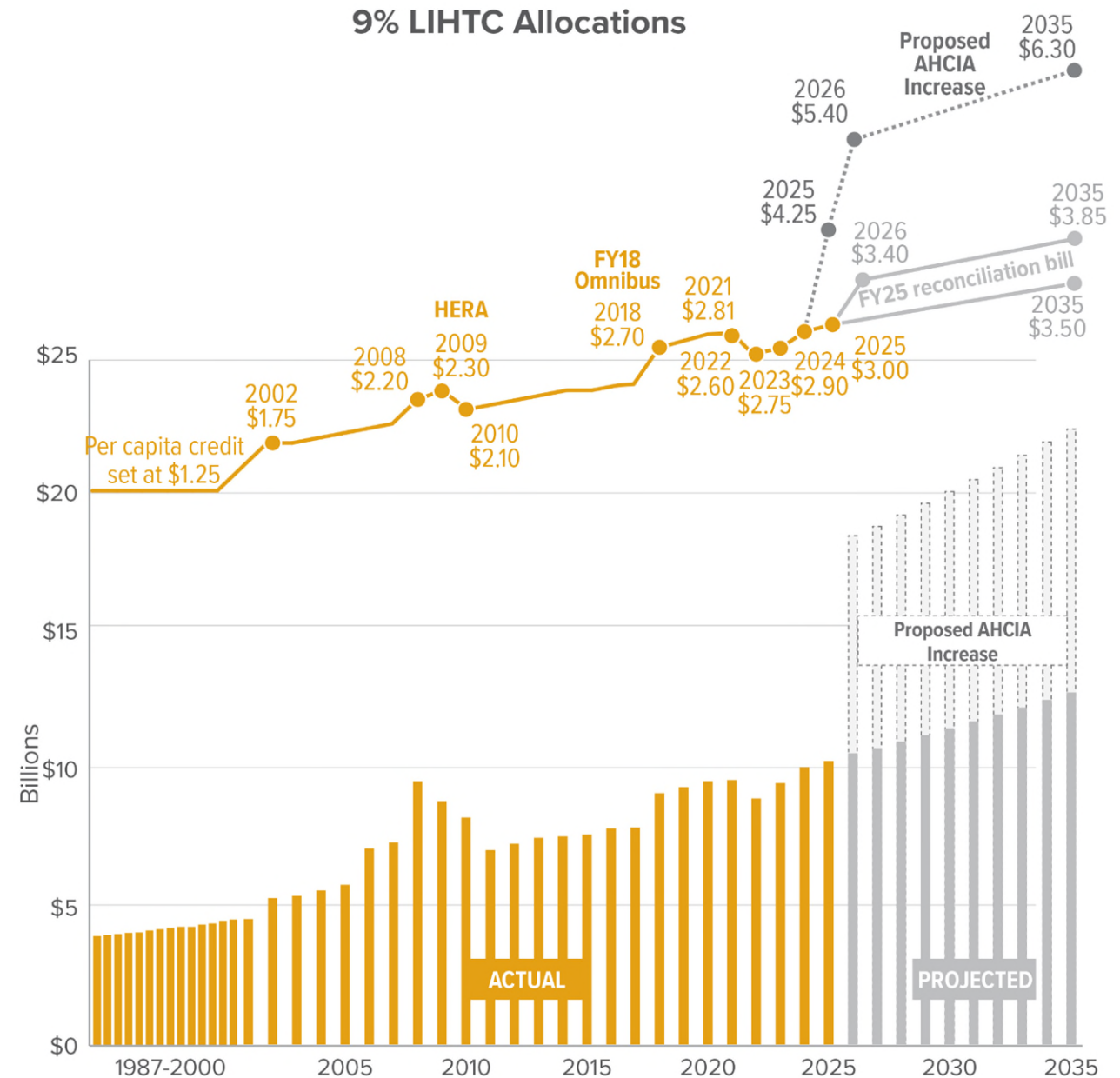
## LIHTC PROVISION

## Increase in 9% allocations

Permanent 12% increase in 9% LIHTC allocations starting in calendar year 2026

**80,000** additional homes over 2026-2035

*(Estimate as of Jun. 2025)*



## The Goal



### The NMTC Extension Act

H.R. 1103 | S. 479

PERMANENCE ACHIEVED



Indefinite extension of the NMTC at \$5B per year



~~Inflation adjustment in out-years~~



~~AMT relief for NMTC investors~~

# Opportunity Zones Impacts



## Permanence

- New OZs designated every **10 years**
- New determination period begins July 1, 2026
- First new designations will be active Jan. 1, 2027



## Eligibility criteria

- Definition LIC is narrowed from **80% to 70% of AMI**
- Contiguous tracts are no longer eligible
- Census tracts with a median family income of **125% of the AMI** not eligible
- Governors are still limited to designating 25% of their state's eligible LICs, so there will be approximately 30% fewer
- 25% limit would apply to Puerto Rico in 2027



## Deferral and basis step up

- Capital gains invested in OZ funds can be **deferred from paying taxes** on a rolling basis for **up to five years**
- In non-rural OZs, there will be **10% step up in basis** for investments held at least five years



## Rural provisions

As long as at least **90% of qualified OZ property of an OZ fund are in rural OZs** then the investments in those funds will have a **30% step up in basis** for investments held at least five years



## Reporting requirements

Reporting and transparency requirements of the OZ Transparency Extension and Improvement Act (OZTEIA) and provides \$15 million for implementation

# Sections 48E ITC

## Termination of Incentives for Solar & Wind

### Begin Construction Exemption for 12 months with 2027 Year-End Cliff

- Qualified solar and wind facilities must now be placed in service (PIS) by 2028 (no later than Dec. 31, 2027) unless such facilities begin construction within 12 months after the date of enactment of the bill. Those facilities will have four years to be PIS.

## Other Key Features in the Bill

### Low Income Communities Bonus Credit (annual 1.8 GW capacity limitation)

- Still available, subject to general credit eligibility
- 2025 round applications still pending
- Category 1: Facilities located in Low-Income Communities
- Category 2: Facilities located on Indian Lands
- Category 3: Qualified Low-Income Residential Building Projects
- Category 4: Qualified Low-Income Economic Benefit Projects



## Housing-Related Credits (25C, 25D, 45L, 179D)

### Housing-Related Tax Credits

	Current Law	House Proposal	Senate Proposal
<b>Sect. 25D Residential Clean Energy Property</b>	Available for new property installed through 2032.  Starting in 2033 the credit is phased out at 26% for PIS property, 22% for 2034, 0% starting in 2035.	Ends Dec. 31, 2025, for new property placed in service.  Amends the rate to 30% for property placed in service from 2022 to Jan. 1, 2026.	Available for expenditures made before Dec. 31, 2025.
<b>Sect. 45L Energy- Efficient New Homes Credit for Home Builders</b>	Credit available through 2032 for newly built or substantially reconstructed energy-efficient homes.	Ends Dec. 31, 2025.  For homes which began construction before May 12, 2025, deadline is PIS by Dec. 31, 2026.	Ends after June 30, 2026 (approximately 12 months after enactment).
<b>Sect. 179(D) Energy Efficient Commercial Buildings Deduction</b>	Available to owners of qualified commercial buildings  And designers of EECBP/EEBRP installed in buildings owned by specified tax-exempt entities, including certain government entities, Indian tribal governments, Alaska Native Corporations, and other tax-exempt organizations.	None.	Ends the deduction after June 30, 2026 (approximately 12 months after enactment), for property that has not begun construction.
<b>Sect. 25C Energy Efficient Home Improvement Credit</b>	Credit available through 2032 for improvements.	Ends Dec. 31, 2025, for new PIS property.	Ends Dec. 31, 2025, for new PIS property.

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## Cross-Cutting Issues

- 100% Bonus Depreciation for property acquired and placed in service after Jan. 19, 2025
- Sect. 163(j) limit on deducting debt (adding DA back to EBIT)
- No corporate tax cut or change to PAB tax exemption

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## Incentives Left Out

- No HTC provisions
- No Neighborhood Homes Tax Credit
- No Workforce Housing Tax Credit
- No office conversion tax credit
- No preservation tax incentive

See Blog for Further Discussion:

[Final Reconciliation Bill Permanently Expands LIHTC, NMTC and OZ Incentive; but Does Not Include HTC Provisions | Novogradac](#)

# Stacking Incentives: OZ w/ Affordable Housing

## Compatibility:

- Substantial Improvement test in both
- Term of compliance – 10 years OZ vs. 15 years LIHTC
- Property Type – OZ often rental real estate
- Compatible Tracts
- Exit Tax Considerations

## Issues: Investor Considerations (PAL Limitations, Capital Gains, Etc.)

See Podcast here for additional discussion on stacking: [May 13, 2025: Combining Opportunity Zones with Other Tax Incentives: Opportunities and Challenges | Novogradac](#)

# Stacking Incentives: OZ / Affordable Housing w/ Others

## New Markets Tax Credits:

- Mixed Use: At least 20% of income from commercial activities
- 7-year compliance period
- QLICI should not finance eligible basis – Consider condominium structure to finance non-eligible basis items

See Blog here for full discussion: [Challenges and Benefits of Using—but Not Combining—NMTCs and LIHTCs in a Development | Novogradac](#)

# Stacking Incentives: OZ / Affordable Housing w/ Others

## Renewable Energy Tax Credits:

- With Bonus, ITCs and LIHTCs from RETC property may be 90%+ of property basis on 4% PAB deals
- Yield Based Investors – ITCs claimed all at once
- Depreciation recapture not taxed in OZ structure
- Improve NOI, depending on utility allowance considerations
- Transferability of ITCs
- LIHTC / Bond Application Scoring

See Blog here for full discussion: [Combining RETC and LIHTC: Structures, Timing and Allocation Considerations | Novogradac](#)

# QOF Snapshot

As of Jun. 30, 2025

Funds Raised by  
QOFs Reporting  
Equity Amount

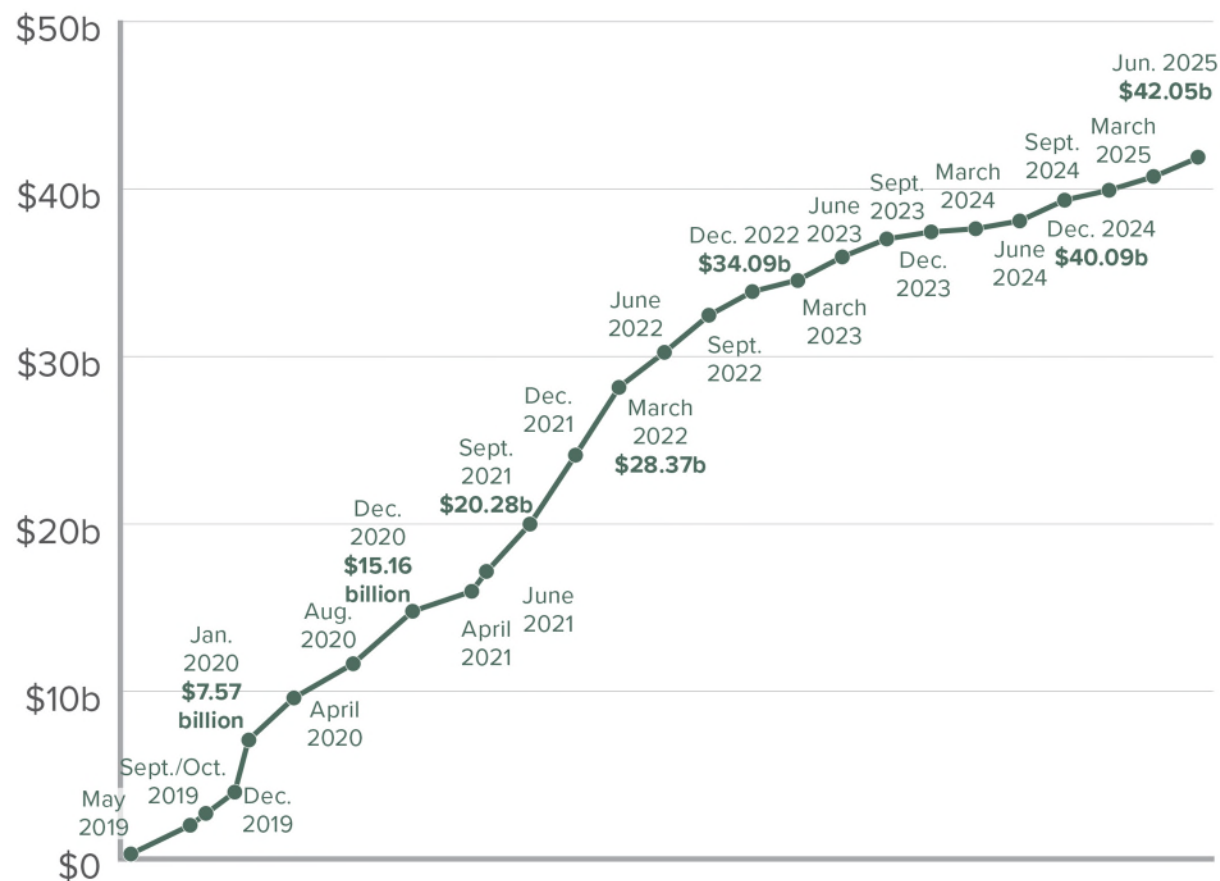
**\$42.05 billion**

QOFs that Report  
the Amount of  
Equity Raised

**1,653**

All QOFs Tracked

**2,080**

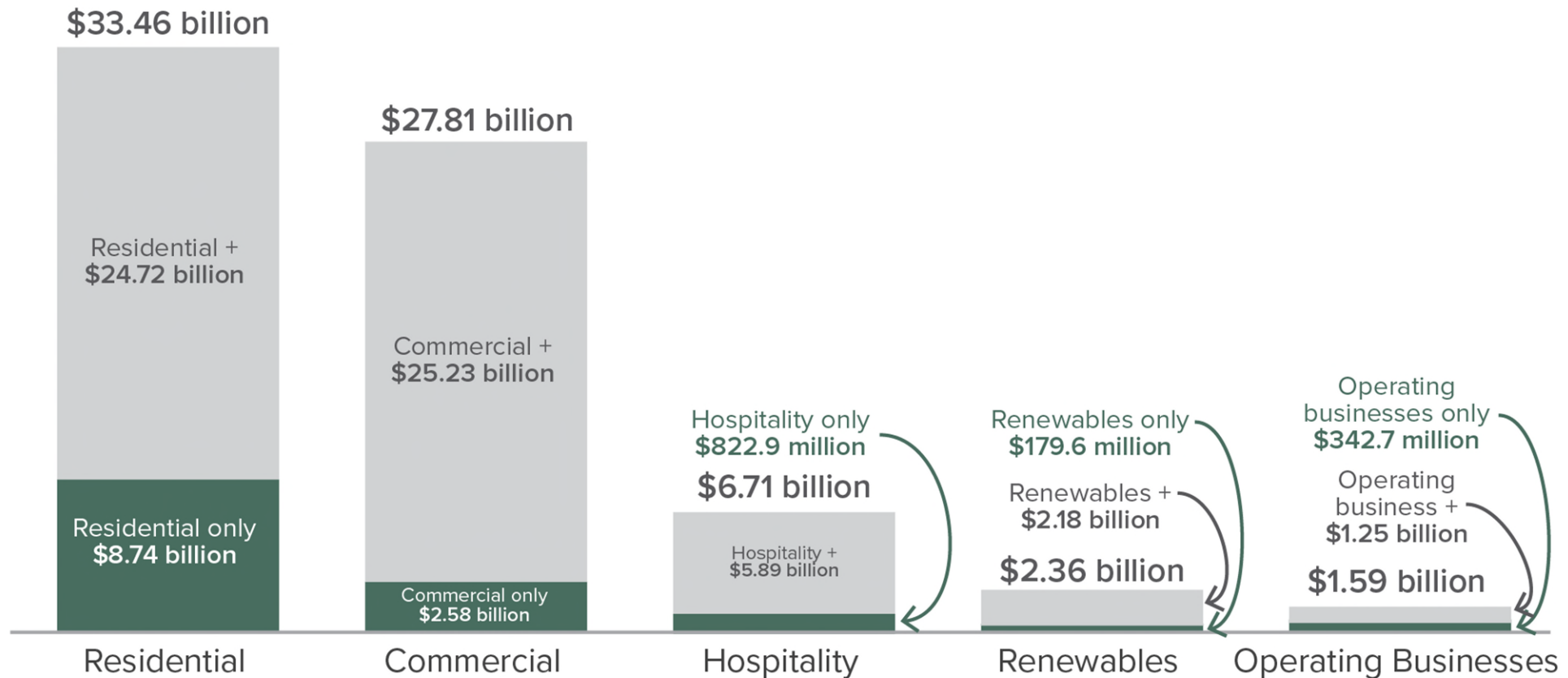


List of Reporting QOFs with Name /  
Contact Info, Footprint and Investment  
Focus here:

<https://www.novoco.com/resource-centers/opportunity-zones-resource-center/opportunity-funds-listing>

# QOF Snapshot

## Residential is Top Targeted Investments

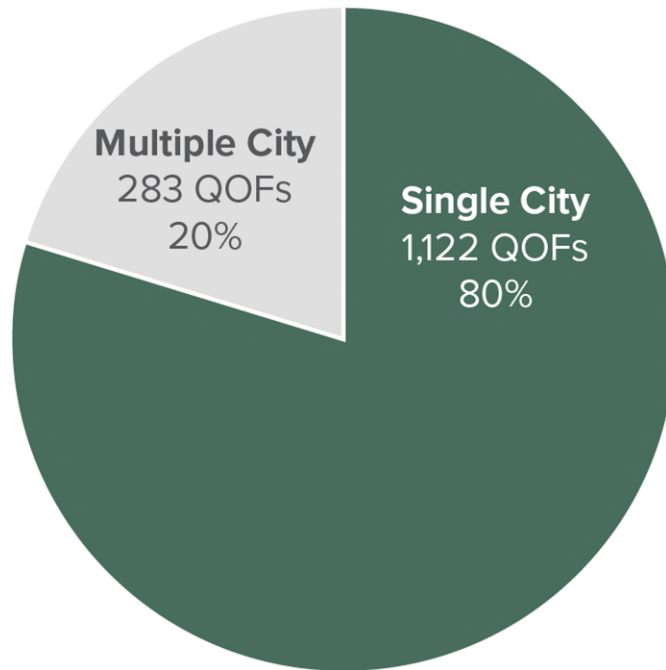




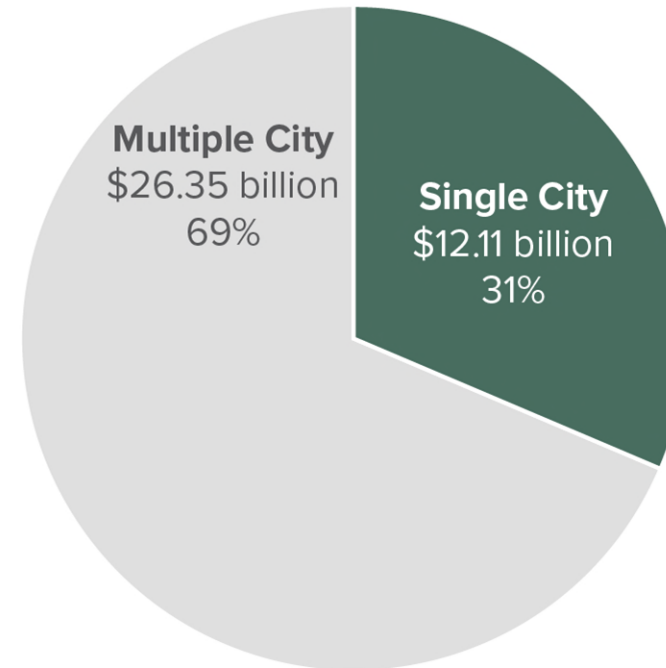
# QOF Snapshot

## Far More Single-City QOFs

80% of QOFs Focus on a Single City



Single City QOFs Make Up  
31% of Equity Raised



Source of QOF Snapshot: [Novogradac-Tracked QOFs Report More than \\$1 Billion in Equity Raised in Q2; Ramp-Up in Investment Likely Coming | Novogradac](#)