

Opportunity Zones

Hawaii Market Activation Summit



OPPORTUNITY ZONES

History



Created under 2017 federal tax law, temporary incentive



Designed to encourage long-term private investment



Census tracts designated in 2018 from "distressed list"



2025 One Big Beautiful Bill made incentive permanent

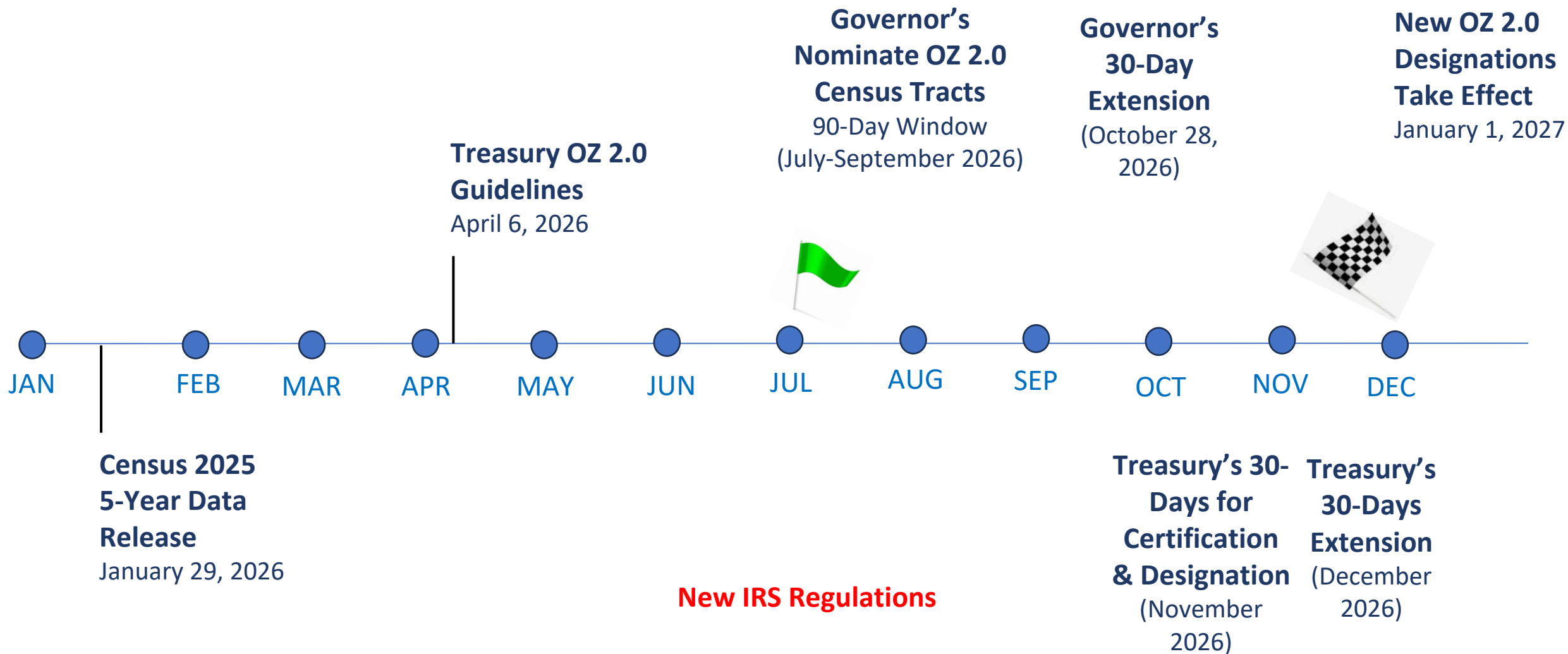


Designated OZ census tracts expire at end of 2028
(Puerto Rico's OZ census tract expire at the end of 2027)



Rural tax benefit added to original incentive

OPPORTUNITY ZONES 2.0 TIMELINE



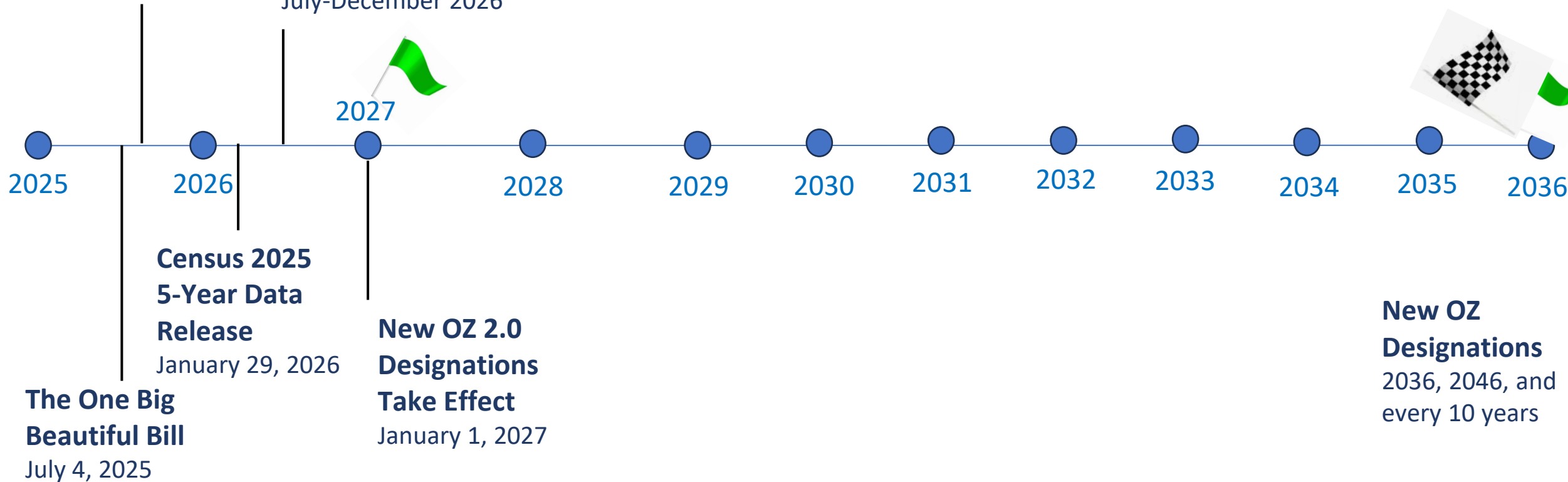
OPPORTUNITY ZONES 2.0 TIMELINE

OZ 1.0 Census Tracts
Expire / 2 Year
Overlap with OZ 2.0
Census Tracts

OZ 1.0 Rural Areas
September 2025

**OZ 2.0 Census Tract
Designation Period**
July-December 2026

OZ 2.0 End Date
December 31, 2036



New IRS Regulations

OPPORTUNITY ZONES

OPPORTUNITY ZONES ACCOMPLISHMENTS



1 million people lifted out of poverty




Over **\$100 billion** invested in communities




\$100 Billion+



Over **400,000 housing units** built because of the OZ incentive



Close to **65%** of designated OZ census tracts have had investment



65% invest
35% remaining

Federal, state, and local grant and program alignments



Thousands of QOFs created



Thousands of projects and businesses received QOF investment



OPPORTUNITY ZONES: NEW OZ PROGRAM AND PERMANENCE



Key Components

- **Created by The One Big Beautiful Bill signed into law on July 4, 2025**
- **Makes Opportunity Zones (OZ) a permanent pillar of U.S. economic development policy**
- **Tightens the selection criteria for Governor nominated OZ census tracts**
- **Streamlines the structure of the OZ tax incentive to provide certainty and neutrality**
- **Favors rural versus non-rural investments , offering higher basis step up and lower substantial improvement test threshold**
- **Qualified Opportunity Funds and Treasury have new reporting and transparency requirements**

OPPORTUNITY ZONES 2.0: HIGHLIGHTS OF NEW OZ PROGRAM

- Is not an extension of the current OZ 1.0 program rather a **NEW** OZ 2.0 program
- Makes the OZ tax incentive permanent in the IRS tax code
- **Designations**
 - OZ designated census tracts every decade (begin in 2027 using 2020 census data)
 - Does not permit contiguous LIC census tract to be nominated
 - Governors will nominate up to 25% of eligible census tracts from pool of “Low-Income Community” (LIC) census tracts
 - Minimum of 25 tracts must be nominated
 - Minimum 70% MFI threshold (statewide or metro area depending on population) or poverty rate of at least 20% and MFI that does not exceed 125% of MFI (statewide or metro depending on population)

OPPORTUNITY ZONES 2.0: HIGHLIGHTS OF NEW OZ PROGRAM (CONT.)

• Rural OZ Incentives

- Creates Qualified Rural Opportunity Fund (QROF)
 - Hold at least 90% of its assets in qualified opportunity zone property which
 - Is a QOZ Business (QOZB) property all of use of which was in an OZ comprised entirely of a “rural area”; or
 - Is a QOZ Stock (QOZS) or QOZ Partnership Interest (QOZPI) all of which all of the tangible property owned or leased is QOZB property and substantially all the use of which is in an OZ comprised entirely of a “rural area”
- Additional incentives for QROF investments in rural areas:
 - 30% basis set-up
 - 50% substantial improvement test (**Effective as of July 4, 2025**)

Rural Area

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)

OPPORTUNITY ZONES 2.0: ENHANCED REPORTING

Enhanced QOF Reporting to Treasury starting with Tax Year 2027

All Qualified Opportunity Funds (QOFs) and Qualified Opportunity Zone Businesses (QOZBs) must comply with **enhanced annual reporting**, starting with tax years **beginning after December 31, 2026**.

Treasury QOF Annual Reports

As soon as practical after the date of the enactment of this Act, and **annually thereafter**, the Secretary of the Treasury, or the Secretary's delegate (referred to in this section as the "Secretary") shall make publicly available a **report on qualified opportunity funds**.

Treasury Periodic Reports

Under **Section 1400Z-2(I)(6)(C)** of the amended Internal Revenue Code (via The OBB signed July 4, 2026), Treasury must prepare **comprehensive comparison reports** in the **6th and 11th calendar years** following enactment.



OPPORTUNITY ZONES

HUD OZ Website

<https://www.hud.gov/opportunity-zones>

An official website of the United States Government | Here's how you know

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U.S. Department of Housing and Urban Development

Opportunity Zones

Explore Your Community's Opportunity Zones 1.0 and Rural Area Census Tracts

Find address or place

Website Feedback

IRS OZ Website

<https://www.irs.gov/credits-deductions/businesses/opportunity-zones>

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Family, dependents and students

Opportunity Zones are an economic development tool that allows people to invest in distressed areas in the United States.

Clean energy and vehicle credits and deductions

Their purpose is to spur economic growth and job creation in low-income communities while providing tax benefits to investors.

Individuals credits and deductions

Opportunity Zones were created under the Tax Cuts and Jobs Act of 2017 ([Public Law No. 115-97](#)). Thousands of low-income communities in all 50 states, the District of Columbia and five U.S. territories are designated as Qualified Opportunity Zones.

Business credits and deductions

Taxpayers can invest in these zones through Qualified Opportunity Funds.

Employee Retention Credit

Forms for business credits

Invest in a Qualified Opportunity Fund

You can support economic development in Qualified Opportunity Zones and temporarily defer tax on eligible gains when you [invest in a Qualified Opportunity Fund](#).



OPPORTUNITY ZONES

HUD OZ Website

<https://www.hud.gov/opportunity-zones>



U.S. Department of Housing and Urban Development

[Opportunity Zones](#) / [Opportunity Zones Updates](#)

Opportunity Zones Updates

Comparison Chart of OZ 1.0 versus OZ 2.0

	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): • Poverty rate \geq 20%, or • Median family income \leq 80% of metro/non-metro median	Tightened: Must meet either: (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);	10% (Holding Period: At 5 Years); 30% for QROF Investments in Rural Areas (Holding Period: At 5 Years)

OZ HUD Frequently Asked Questions

The following frequently asked questions and answers (FAQs) were prepared in response to inquiries about existing Opportunity Zones (OZ 1.0) and the new, permanent Opportunity Zones (OZ 2.0) tax incentive program. These HUD-prepared FAQs are intended to provide an understanding and awareness about Opportunity Zones, the role of U.S. Department of the Treasury and the U.S. Department of Housing and Urban Development (HUD), and the role of state and local government.

These FAQs do not constitute legal authority and may not be relied upon as such. They do not amend, modify, or add to the Income Tax Regulations or any other legal authority as published by the U.S. Department of the Treasury or the Internal Revenue Service (IRS).

Opportunity Zones Overview +

Designated Opportunity Zones Census Tracts +

Opportunity Zones Tax Benefits +

Opportunity Zones 1.0 versus 2.0 +

Rural Areas and Qualified Rural Opportunity Funds (QROF) +

Opportunity Zones and Reporting +

Federal Agency Resources for Opportunity Zones +

HUD Opportunity Zones Activities +

White House Opportunity and Revitalization Council +

State and Local Governments Opportunity Zones Activities +

Opportunity Zones and Housing Supply +

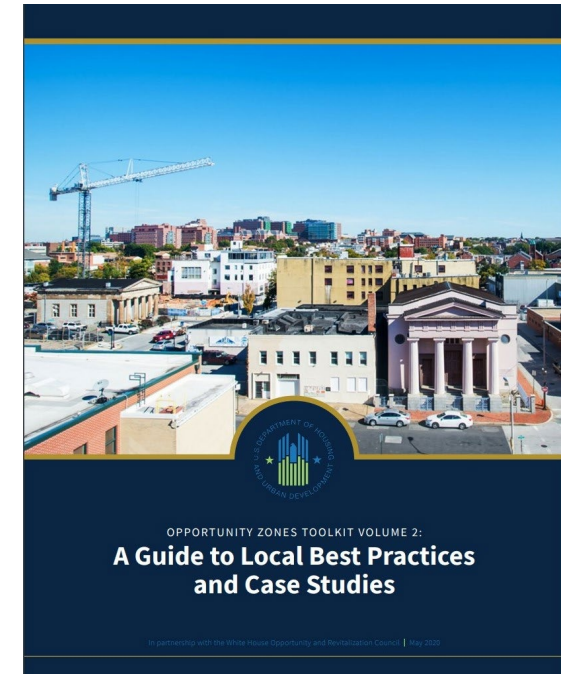
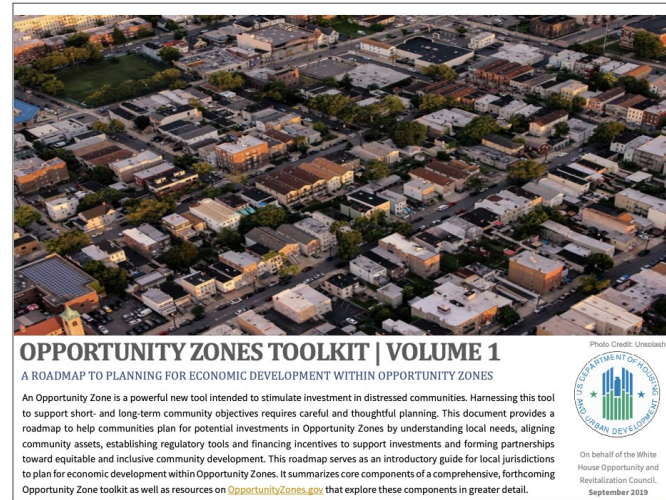
Definitions +

OPPORTUNITY ZONES

www.HUDExchange.info

Resources

- [Opportunity Zones HUD.gov Website](#)
- [Opportunity Zones Toolkit Volume 1: Roadmap to Planning](#)
- [Opportunity Zones Toolkit Volume 2: Local Best Practices & Case Studies](#)
- [Leveraging Section 108 with Opportunity Zone and Historic Tax Credit Financing Webinar](#)
- [Opportunity Zones and the HOME Program Webinar](#)
- [Using HOME within Opportunity Zones Guidebook](#)
- [Opportunity Zones and the HTF Program](#)
- [Aligning Community Planning and Development \(CPD\) Program Funds for Opportunity \(NEW\)](#)



About this Guidebook

OPPORTUNITY ZONES: CONTACT INFORMATION

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HUD Opportunity Zones Resources

- HUD.gov Opportunity Zones website
- HUDEXchange.info Opportunity Zones website

