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Renewed Opportunities: Recent Bipartisan Proposal Seeks to Refine Opportunity Zone Development and Tax Incentives

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In 2017, the Tax Cuts and Jobs Acts (TCJA) created a capital gains investing program aimed at revitalizing impoverished neighborhoods in the United States, known as "Qualified Opportunity Zones." The purpose of this program was, and is, to spur economic growth and job creation in low-income communities while providing tax benefits to investors and developers.

Currently, there are 8,700 Opportunity Zones spanning all 50 states, the District of Columbia and five United States territories.

The Opportunity Zone rules allow investors who reinvest recognized capital gains in a Qualified Opportunity Fund to defer and partially eliminate recognition of their invested capital gains. Investors can also avoid recognizing any gains on the exit from their Opportunity Zone investment if held for at least 10 years.

A full discussion of the tax benefits of an Opportunity Zone investment can be found here. Unfortunately, like many of the other provisions of the TCJA, the Opportunity Zone program is set to sunset at the end of 2026.

Earlier this month, a bipartisan group of lawmakers introduced The Opportunity Zones Transparency, Extension, and Improvement Act. This bipartisan legislation seeks to change and extend the Opportunity Zone program, by:

- Extending the deadline for triggering the deferred capital gain from December 31, 2026 to December 31, 2028;
- Lowering from 7 years to 6 years the holding period requirement for the forgiveness of 15% of the deferred capital gain;
- Allowing Opportunity Funds to be feeder funds;
- Mandating new reporting requirements for Qualified Opportunity Funds;
- Re-evaluating the currently designated Opportunity Zones by sunsetting Opportunity Zone designation for areas at or above the 130%

national mean income and allowing governors to replace such tracts with eligible high-need communities;

- Creating a federal grant program for state governments to assist and encourage opportunity zone developments; and
- Expanding eligibility for Opportunity Zones to now include former industrial areas known as "Brownfields."

This legislation, while imposing some additional requirements on taxpayers investing in Opportunity Zones, overall provides positive benefits for taxpayers currently invested in or looking to invest in Opportunity Zones.

We will keep you updated of any further developments regarding this bill as it moves through Congress.