

# Qualified Opportunity Zone Program Changes

## Qualified Opportunity Zone 1.0 and 2.0 Program Comparison Chart

QOZ 1.0 (2017 Tax Cuts and Jobs Act)	QOZ 2.0 (2025 One Big Beautiful Bill Act)
Status: Ends December 31, 2028	Status: Permanent
Zones: Expire December 31, 2028 <ul style="list-style-type: none"> <li>Eligibility requirements: AMI of 80% or less of the state or metropolitan average or poverty rate of at least 20%</li> <li>Resulted in large OZ map with 8,764 tracts</li> <li><a href="#">Find existing Zones here</a></li> <li><a href="#">Existing Zones are searchable in both commercial and residential mode via RPR</a></li> </ul>	Zones: New Zones effective Jan. 1, 2027 <ul style="list-style-type: none"> <li>Eligibility requirements: AMI of 70% or less of the state or metropolitan average or poverty rate of at least 20% and median family income of no more than 125% of area median</li> <li>New designations nominated beginning July 1, 2026</li> <li>Governors can redesignate every 10 years</li> <li>Minimum 25% of each state's zones must be rural</li> <li>RPR's QOZ feature will be updated once the new Zones are finalized</li> </ul>
Qualified Opportunity Funds (QOFs): <ul style="list-style-type: none"> <li>Must invest at least 90% of its assets in QOZs</li> <li>Investors qualify for deferral of capital gains if reinvested in a QOF within 180 days</li> </ul>	Qualified Opportunity Funds (QOFs): <ul style="list-style-type: none"> <li>Must invest at least 90% of its assets in QOZs</li> <li>Investors qualify for deferral of capital gains if reinvested in a QOF within 180 days</li> </ul>
Deferral of Capital Gains Reinvested in a QOZ. (within 180 days): <ul style="list-style-type: none"> <li>10% basis step-up after a 5-year holding period</li> <li>15% basis step-up after a 7-year holding period</li> <li>Original Gain Deferral Period: Ends on earlier of sale or 12/31/26</li> <li>Gain elimination period ends December 31, 2047</li> </ul>	Deferral of Capital Gains Reinvested in a QOZ (within 180 days): <ul style="list-style-type: none"> <li>10% basis step-up after a 5-year holding period – permanent</li> <li>15% basis step-up after a 7-year holding period – eliminated</li> <li>Original Gain Deferral Period: Rolling 5-year, starting from date of investment (gain recognition occurs 5 years after investment)</li> <li>A rolling 30-year deferral cap applies to investments</li> </ul>
Tax on New Gains from QOZ Investment: Eliminated if held for 10+ years	Tax on New Gains from QOZ Investment: Eliminated if held for 10+ years

<p>Qualified Rural Opportunity Zones/Funds:</p> <ul style="list-style-type: none"> <li>• N/A</li> </ul>	<p>Qualified Rural Opportunity Zones/Funds:</p> <ul style="list-style-type: none"> <li>• Zone Definition: Any area other than a city or town that has 50,000 or more in population, and any urbanized area contiguous and adjacent to such a city or town</li> <li>• Fund Definition: <ul style="list-style-type: none"> <li>○ A QOF that holds at least 90% of its assets in QOZ property which is substantially in in a QOZ comprised entirely of a rural area; or</li> <li>○ Is QOZ stock or partnership interest in a QOZ business with tangible property that is substantially all owned or leased in a QOZ in an entirely rural area</li> </ul> </li> <li>• Benefits: <ul style="list-style-type: none"> <li>○ 30% (vs. 10%) basis step-up for investments after a 5-year holding period</li> </ul> </li> </ul>
<p>Substantial Improvement Test:</p> <ul style="list-style-type: none"> <li>• For existing property in non-rural Zones: 100%</li> <li>• For existing property in rural Zones: N/A</li> </ul>	<p>Substantial Improvement Test:</p> <ul style="list-style-type: none"> <li>• For existing property in non-rural Zones: 100%</li> <li>• For existing property in rural Zones: 50%, effective July 4, 2025</li> </ul>
<p>Reporting Requirements:</p> <ul style="list-style-type: none"> <li>• Annual filing of IRS Form 8996</li> </ul>	<p>Reporting Requirements:</p> <ul style="list-style-type: none"> <li>• Annual filing of IRS Form 8996</li> <li>• Annual reports including: name and address of the QOF business, its NAICS classification, information on any residential units held, asset values, and employment data</li> <li>• Penalties of up to \$10,000 per return for smaller funds and up to \$50,000 for larger funds <ul style="list-style-type: none"> <li>○ Additional penalties can be applied for willful noncompliance</li> </ul> </li> </ul>

