

Opportunity Zones

Issue

Created in 2017, Opportunity Zones (OZs) are designated, low-income census tracts where qualifying investments are eligible for reduced capital gains taxes. By channeling investment where it is needed, OZs help stimulate jobs and growth in low-income communities.

The three main OZ tax benefits are a deferral of prior capital gain rolled into an OZ fund, an increase (partial “step-up”) in the basis of the prior investment after a 5 or 7-year holding period, and the exclusion of gain on the OZ investment 10 years.

The final OZ regulations were issued four months before the COVID lockdown. The tax benefits are gradually phasing down (the deferral of prior gain ends in 2026) and the partial basis step-up has expired for new OZ fund contributions.

Bipartisan House legislation (Reps. Mike Kelly, R-PA and Dan Kildee, D-MI; [H.R. 5761](#)) would extend OZ deadlines for two years, allow helpful “fund of funds” OZ tax structures, sunset certain high-income OZ census tracts, and create new OZ information reporting and transparency rules.

The Roundtable’s Position

- In their short tenure, OZs have created jobs and spurred billions of dollars in new investment in economically struggling communities across the country.
- Opportunity Funds finance affordable, workforce, and senior housing; grocery-anchored retail centers; and commercial buildings that create spaces for new businesses and jobs.
- In 2020, the White House Council of Economic Advisors estimated that the Opportunity Funds had raised \$75 billion in private capital in the first two years following the incentives’ enactment, including \$52 billion that otherwise would not have been raised. The council projected this capital could lift one million people out of poverty in OZs by 11%.
- The decentralized design of OZs allows more investors and stakeholders to participate in the market and invest in qualifying projects that generate economic opportunity and improve the built environment in high-need communities.
- Congress should pass [H.R. 5761](#). Extending the deadlines would ensure that OZs continue to act as a catalyst for economic development in struggling communities.
- Congress should also continue working on improvements to the OZ tax incentives, such as enhanced information reporting, data collection, and transparency, as well as lowering the substantial improvement threshold to cover a broad range of real estate rehabilitation and redevelopment projects.