OPPORTUNITY ZONES

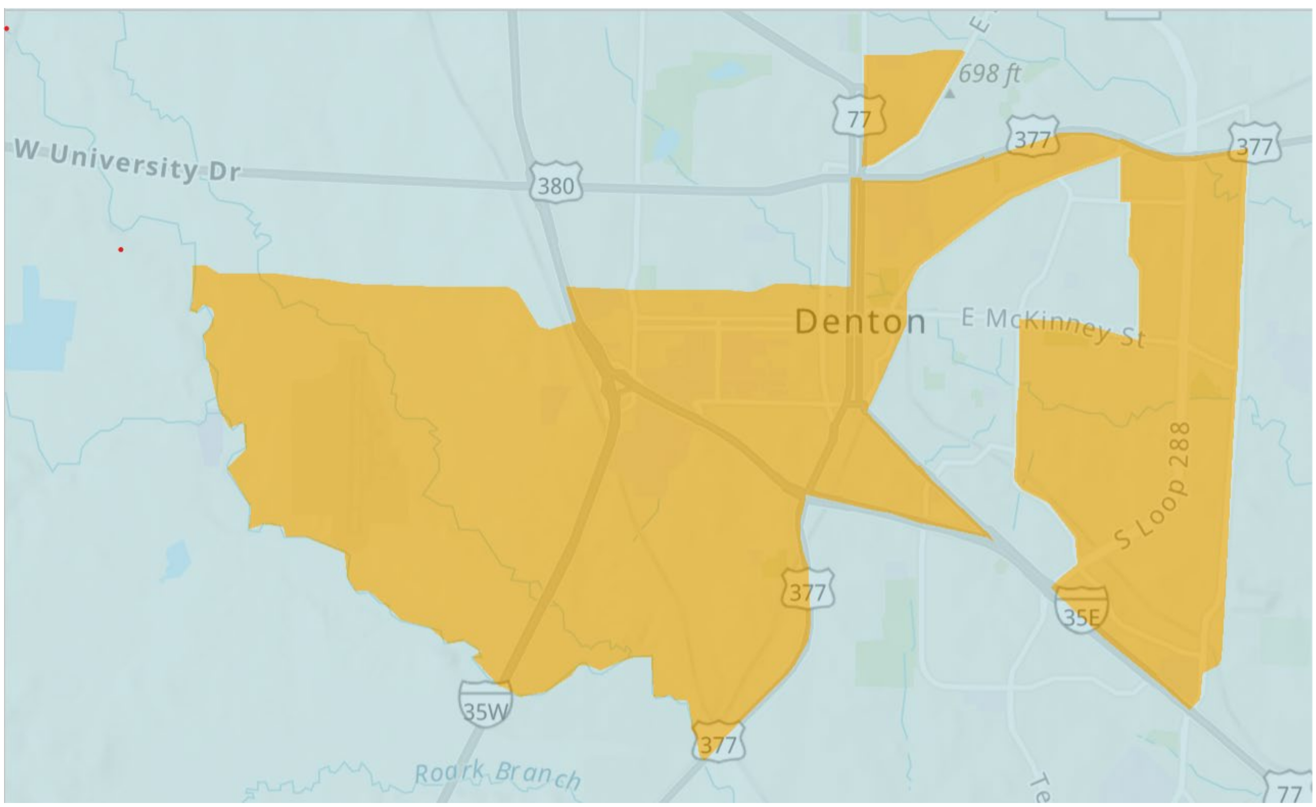
The recently enacted budget reconciliation law (PL 119-121) makes the Opportunity Zones Program permanent and makes a number of changes designed to better target investments and increase oversight and transparency.

In addition to making the program permanent, it authorizes governors to designate 25% of eligible census tracts in their state as Opportunity Zones every 10 years.

- Governors will make the next designations next year, with those designations effective beginning on January 1, 2027.

The designation of the next round of Opportunity Zones will be ***completely in the hands of governors***, so ***now is the time for local governments to begin identifying eligible census tracts that they would like their governor to designate***.

The Economic Innovation Group, an organization that advocates Opportunity Zones and similar programs, has a mapping tool that illustrates which census tracts are eligible under the new criteria:
https://tinyurl.com/2p9pu35m.



Denton Census tracts eligible for designation include:

- 205.08,

- 206.01,
- 206.05,
- 208,
- 210,
- 212.03,
- 212.04, and
- 213.01.

The law makes several other changes to the program. Most notably, it:

- Removes the language that allows census tracts that are contiguous to eligible census tracts to be designated as an Opportunity Zone,
- Changes census tract eligibility from a poverty rate of 20% ***or*** a median family income that is 80% or less of the state or metro area median family income to a census tract with a median family income that is 70% or less of the state or metro area median family income ***or*** a census tract that has a poverty rate of 20% and a median family income that is 125% or less of the state or metro area median family income,
- Enhances tax benefits for investors,
- Creates new reporting requirements (with fines for noncompliance) for Opportunity Zone investors (amount of investment, value of property owned by the investor, the number of residential units owned by the investor, number of full-time employees employed by the investor, and other data), and
- Creates new reporting requirements (and appropriates $15 million for the Treasury to do the reporting) for the Treasury Department on Opportunity Zones (number of Opportunity Funds, aggregate amount of assets held in Opportunity Funds, the percentage of qualified census tracts that have received Opportunity Fund investments, number of people employed by Opportunity Zone businesses, aggregate amount of residential units created by Opportunity Funds, and detailed comparisons to outcomes in similar census tracts that are not designated as an Opportunity Zone).

One interesting note: the law creates a "dead year" for current Opportunity Zones. Current designations will remain in effect through the end of 2028, but investments made in them after January 1, 2026 will be subject to current law rules, including the December 31, 2026 sunset date for deferral of capital gains. As a result, people are unlikely to invest in currently designated Opportunity Zones in 2027.