

OPPORTUNITY ZONES

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TOPLINE: The One Big Beautiful Bill (OB BB) authorized Opportunity Zone (OZ) designations by state governors once every 10 years to allow tax advantages for investments in areas with high poverty rates or low median family incomes. Previously, OZs were established as a temporary program. OB BB amended the OZ program to focus more on the poorest areas, with more generous tax advantages in rural areas.

BACKGROUND: The 2017 Tax Cuts and Jobs Act ([TCJA](#)) created the OZ program. It authorized governors and the D.C. mayor to select high-poverty or low median family income census tracts in their states in 2018 to be OZs. Qualifying investments made in designated OZs through OZ Funds received certain tax advantages. Investments made by 2021 and kept within OZ funds for five or more years could receive a 10% step up in basis (basically allowing the first 10% gain on investment to go untaxed). Seven-year investments made by the end of 2019 would receive an *additional* 5% step up in basis. Ten-year investments could qualify to have the basis on an investment adjusted up to the fair market value upon sale. Under TCJA, most OZ tax incentives would be available only through 2026, and no new OZ designations occurred after 2018.

What OB BB Did:

- [Allowed](#) governors to designate new OZs starting July 2026 and at 10-year intervals thereafter, instead of allowing the OZ program to phase out and expire.
- [Established](#) stricter income threshold requirements, so that a census tract can only be designated as an OZ if at least one of two criteria is met:
 - The poverty rate in the tract is at least 20% (same as pre-OB BB), or
 - The median family income of the census tract is less than 70% (previously 80%) of the metropolitan area median family income or less than 70% (previously 80%) of the statewide median family income in the case of non-metropolitan tracts.
- [Provided](#) for the creation of rural opportunity funds (in areas not in or adjoining cities with populations greater than 50,000). Investments in these funds qualify for a special 30% step-up in basis for investments maintained for at least five years.

Where Were the Original Opportunity Zones?

- More than 10% of Census tracts are OZs under the original program. HUD has a map of OZs here: <https://www.hud.gov/opportunity-zones> (gray areas).

Where Can I Find the Changes? OB BB Sec. [70421](#); [26 U.S.C. § 1400Z](#).

BOTTOMLINE: Instead of special tax breaks for investments in particular places, lawmakers should reduce taxes on all investments.

