

Commercial Real Estate

High-stakes battle over Opportunity Zones 2.0 will soon begin. Here's how to get a jumpstart.



The federal Opportunity Zones program is getting a major overhaul.

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Business owners and real estate investors will have a significant new investment opportunity starting Jan. 1, 2027, but should start preparing now.

That's because the sweeping tax legislation that passed Congress earlier this month — President Donald Trump's One Big Beautiful Bill — [revamps the Opportunity Zones program and launches a new, permanent version.](#)

Opportunity Zones were introduced during Trump's first term as part of the Tax Cuts and Jobs Act of 2017. The program, which allows real estate investors and developers to receive tax breaks for projects they do in specially designated low-income areas, was set to expire at the end of 2026. The new legislation calls for state governors to name new Opportunity Zones by July 1, 2026, and for the program to officially open for investment on Jan. 1, 2027.

Despite that horizon, business owners, landowners, investors and towns and local governments should be preparing in the meantime, experts say, especially since the sunup to designating new zones is likely to be a time of intense lobbying.

"It's an opportunity for folks in communities that would qualify to express their desire for their community to be an Opportunity Zone," said Jill Homan, deputy director of economy and trade and director of American revival at the America First Policy Institute.

But fewer areas will meet the qualifying criteria in the new iteration of OZs. Congress narrowed the definition of "low-income community" to Census tracts with a poverty rate of at least 20% or a median household income that does not exceed 70% of the area median income. The current rules designate a low-income community as one with a poverty rate of at least 20% or a median household income of no more than 80% of an area's median income.

States were also previously able to nominate a limited number of non-low-income tracts if they were contiguous to nominated low-income tracts and their median household income doesn't exceed 125% of that neighboring low-income community's median income. But under the new program, the term "low-income community" would not include any Census tract where the median household income is 125% or greater of the area median income.

Despite the narrowing definition of what tracts can qualify, that doesn't mean the competition won't be stiff.

"Lobbyists are going to be very busy over the next six months or so. That's when a lot of the discussions are going to happen," said David Shapiro, tax attorney and partner at law firm Saul Ewing LLP. "There's going to be a lot of push to see which metropolitan areas are allowed — and cities fighting a bit amongst each other to get what they can get."

How business owners can prepare for Opportunity Zones 2.0

Experts say groups who want to invest in the upcoming version of the OZ program should see if they have any upcoming projects or plans that would fall into an area that could become an Opportunity Zone, including evaluating whether that Census tract fits the criteria.

Shapiro said the data that would primarily determine if a tract is OZ eligible will come from 2020 Census information.

But for potential future projects with no set location, Shapiro said it's worth considering identifying areas that could potentially be qualified as an Opportunity Zone. Alternately, when OZs are designated, investors should see what areas become qualified and plan around that.

"If you are connected to lobbyists, certainly talk to them [about] what your needs are and see what information they can gather, and support your process to make sure you have potential investment locations," Shapiro said.

Landowners should analyze redevelopment plans for their properties or potentially take on partners to consider whether that land could become part of an Opportunity Zone, with such zones often being valued at a higher premium, Shapiro said.

Groups should also take a close look at rural areas, which are expected to spur more substantial benefits for investors. In addition to existing Opportunity Zone benefits, investments are done on a rolling five-year deferral process. The new legislation retains the 10% step-up for five-year holdings but introduces a 30% step-up for investments in Qualified Rural Opportunity Funds.

Additionally, a new rule would lower the "substantial improvement" threshold of existing structures from 100% to 50% in rural areas.

If a business is still very early in the process, they should consider their timing carefully, Shapiro said.

"If you haven't started a project now but you are planning one, you are probably better off waiting for 2027," Shapiro said.

Homan said, under the original Opportunity Zone program, while there were slightly more designated rural zones than urban zones, they received far less investment overall, which, she said, makes the increased investment boost a good idea. In a rural area, businesses would only need to improve the infrastructure by 50% and not 100%, which also lowers the floor for investments.

The program will also come with more transparency this time, Homan said, with more reporting requirements and data that will allow both policymakers and investors to make better decisions about what works and what does not.

"You are going to have data that can inform a policymaker in time to digest that and make decisions about where the next Opportunity Zones should be," Homan said.