REAL ESTATE INVESTMENTS

Opportunity zone revisions give advisors a new tool for clients with big gains

By Zoe Sagalow

Published September 11, 2026, 2:38 p.m. EDT
Updated September 11, 2026, 2:50 p.m. EDT
4 Min Read

This stretch along I-94 in Chicago is part of an opportunity zone under the original program; new designations are now pending. *Daniel Acker/Bloomberg*

Advisors with ultrahigh net worth clients may want to start preparing now for the next phase of the opportunity zone program. Beginning Jan. 1, 2027, the updated rules will create a new framework for deferring gains, while also giving investors a way to diversify.

The Department of the Treasury is expected to certify and designate census tracts as opportunity zones in the fourth quarter of 2026. The July 2025 tax law made several changes to the program, which was first created in 2017, including making it permanent and requiring new opportunity zone designations every 10 years. The revisions also increase the basis step-up for rural investments to 30% after a five-year holding period, while other investments will continue to receive a 10% basis step-up.

The updated program will also change how gain deferrals work. Under the original framework, gains could be deferred until Dec. 31, 2026. Beginning in 2027, there will be a five-year rolling deferral period.

The tax benefits of opportunity zones remain a key draw, according to David Shapiro, a Philadelphia-based partner and head of the tax practice at Saul Ewing who has advised on opportunity zones since the program started. Those benefits include deferring gains, reducing the amount of gains subject to tax and — "the biggest long-term incentive" — avoiding taxes on eventual investment sales, he said.

"I do have clients that are getting ready," Shapiro said. "So they are preparing right now. They're offering materials, their documents, so that they can go out early in the new year and start raising funds from people who are looking at OZ 2.0."

The updated program features stricter rules for designating zones. One result will be less investment in Puerto Rico, he said, because the new rules eliminate the designation of most of the territory as an opportunity zone.

"When you talk to your clients and say, 'Hey we've got this great thing: It's going to save hundreds of thousands or millions of dollars in taxes today,'" though taxes will be due in the future, so the benefit is the time value — "they get very frustrated when the date comes that they're going to have this big amount of ordinary income or triggered capital gains," Shapiro said.

Advisors need "to be thinking and planning for the day when that comes because they're not going to be happy," and should have a solution for future income events because clients will "want to find a way to shield those future income events, too," he added.

READ MORE: [Decoding opportunity zone rule changes to avoid tax hits for clients]

When opportunity zone investments make sense for clients

Opportunity zones are an investment choice to consider when clients experience or expect windfalls, such as from a sale of a business.

For "people with sudden money — they have a big transaction that's happened or coming up — this is something that they should look at as an option," said Rich Arzaga, the Colorado Springs, Colorado-based founder and CEO of The Real Estate Whisperer, a registered investment advisor. "It's not something that's a no-brainer. It's just another option they should look at, among whatever options they have based on whatever they're selling."

Diversification can be another benefit of deploying a large chunk of funds in opportunity zones.

"It allows us, for some of our families, to defer taxes and diversify client portfolios away from maybe equities or stuff like that into income-producing real estate," said John Pantekidis, general counsel and a managing partner at TwinFocus, a Boston-based registered investment advisor.

If a client doesn't have investment real estate, Pantekidis looks at investing 3%, 5%, 10% or whatever suits "the client's risk and return objectives."

Although the TwinFocus team likes their own qualified opportunity zone investments, partly because they control the risk and placement, they might have clients use third-party investments if the managers are good, depending on what clients are looking for, he said.

READ MORE: Opportunity zones just became permanent

'A universe of people can benefit' from opportunity zones

While opportunity zones have advantages, some clients might prefer other investments, such as Section 1031 like-kind exchanges, qualified oil and gas drilling, manufactured housing and charitable remainder trusts.

"I'm not selling these things. I'm just presenting them," Arzaga said. He presents clients with an overview of possibilities and additional details about those they express interest in. For clients who want to pursue opportunity zone investments, he makes referrals to opportunity zone funds.

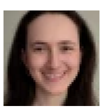
One such sponsor is Glen Allen, Virginia-based Capital Square, a sponsor of tax-advantaged real estate investments, developer and housing community manager.

Louis Rogers, founder and co-CEO of Capital Square, particularly likes opportunity zones for the breadth of investors who can benefit.

The opportunity zone program is "the most impactful provision because people in real estate can use it because real estate, when it's sold, generates a capital gain but also business owners, property owners, stock traders, entrepreneurs who get stock options, people in the Bay Area that have startup companies where they get options and warrants and all that stuff that generates capital gain when they're exercised," he said. "A whole universe of people can benefit."

Another change in the revised program is additional reporting requirements, including annual disclosures and mandates for public transparency.

"We did it voluntarily, and now that reporting is required, we're happy about it," Rogers said. "We're creating lots of jobs and hundreds of millions of dollars of economic impact in neighborhoods, and we're proud of it."



Zoe Sagalow

Reporter

Zoe Sagalow covers tax and retirement issues for Financial Planning, bringing a decade of experience in financial policy and regulatory reporting to... Read full bio

REAL ESTATE INVESTMENTS INVESTMENT STRATEGIES TAX TAX PLANNING WEALTH MANAGEMENT

RELATED

1 Between 2 concentrated-stock strategies, a clear winner

2 How to win clients' held-away assets without being pushy

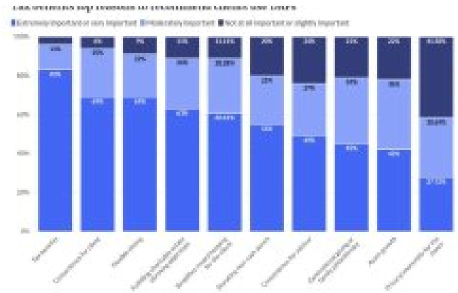
3 Keep, rent, gift or sell? Second-home tax creates ripple effects in planning

4 New tax credit adds planning strategy for advisors and charitable clients

5 How non-grantor trusts maximize charitable, small business stock tax advantages

MORE FROM FINANCIAL PLANNING

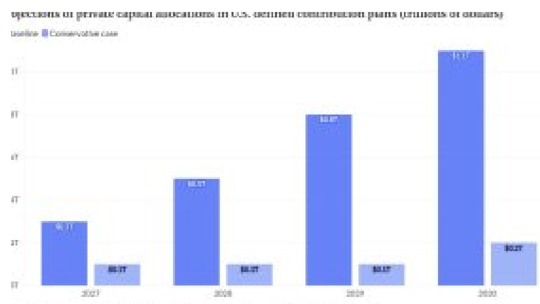
New professional designation aims to build DAF expertise



The American College of Financial Services is launching a certification program to train financial professionals on the ins and outs of donor-advised funds.

Aug 6, 2026

Private assets in defined contribution plans could top $1T by 2030



A Deloitte analysis shows that alternative allocations — to private equity, private credit and other vehicles — in DC plans could grow quickly.

Jul 21, 2026

IBD Elite 2026: The 15 largest independent brokerages in wealth management

Over the past decade, the annual revenue gap between LPL and any other independent brokerage has soared to more than 100% from less than 1%. But that doesn't mean that the No. 1 firm can rest on those laurels.

Aug 19, 2026

4 ways RIAs can respond to Schwab's higher asset floor for client referrals

Industry consultants recommend steps RIAs in Schwab's referral network can take if they're worried about competition for clients.

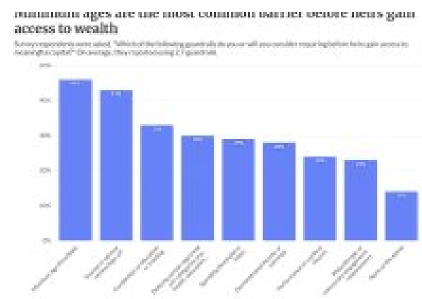
Aug 19, 2026

Treasury flags concern over 'potentially abusive' tax trades

The department worries that some products, including Section 351 conversions and box spread ETFs, could be ripe for abuse. It is actively evaluating tools to address those concerns.

Jul 23, 2026

When wealthy clients don't trust heirs with the money



Advisors have a role to play in facilitating the great wealth transfer, and some wealth owners are uncertain about whether heirs are ready.

Jul 20, 2026

The complete guide to starting an RIA

Financial Planning's "Starting an RIA" book contains 30 chapters that help financial advisors from the launch of a firm to successful exits.