

# 2025 Opportunity Zones Legislation Report

By Jimmy Atkinson  
OpportunityZones.com

*Updated: November 13, 2024*

## Overview of Recent Legislative Developments

The Opportunity Zones program, designed to stimulate investment in economically distressed communities, is entering a new phase of potential extension and modernization, following the 2024 election.

The election of Donald Trump to a second Presidential term, coupled with a Republican majority in both the Senate and House of Representatives, will shift the legislative landscape in 2025, creating optimism for extending and enhancing the OZ program.

## Election Outcome and Legislative Impact

The election results are seen as highly favorable for the future of Opportunity Zones. With Republicans in control of Congress, there is a strong likelihood of extending the tax deferral period and possibly making parts of the program permanent in new tax legislation that is likely to be passed in budget reconciliation.

Industry discussions indicate that a comprehensive legislative package may be introduced as early as 2025, aligned with broader tax reform efforts. Some on Capitol Hill are calling it the “Super Bowl of Tax.”

## Two Categories of OZ Legislation

### 1) Extension of Current OZ Incentive

The first category involves an extension of the existing Opportunity Zones incentive, as defined by the [Opportunity Zones Transparency, Extension, and Improvement Act](#).

Crucially, this proposed legislation aims to extend the current OZ policy by two years.

Included in this bill:

- Extending the tax incentive for two years by pushing the deferral date from 2026 to 2028.
- Expanding the reporting requirements.

- De-certifying a number of high income Opportunity Zones, estimated to be roughly 75-100 tracts out of the current 8,764. (Note: current investments would be grandfathered in.)
- Allowing for fund of funds, so that Qualified Opportunity Funds could invest directly into other QOFs.
- Establishing a State and Community Dynamism Fund, providing \$1 billion in technical assistance to local communities.

This legislation would provide continuity for investors already engaged in the program, while also encouraging new investments.

## **2) Renewal of OZ Incentive with New Census Tract Designations**

The second category of legislative focus involves a renewal of the Opportunity Zones program, also referred to as an “OZ 2.0” initiative. This renewal would allow for the designation of a new slate of census tracts based on updated 2020 Census data.

The original designations were made quickly, with limited data, leading to some areas being designated that may no longer meet the criteria for economic distress. A renewal would provide an opportunity to correct these issues and ensure that the program better targets truly underserved areas. This redesignation could also allow governors more flexibility in selecting zones, potentially including additional incentives for rural and high-need areas.

Some early OZ 2.0 concepts include:

- Authorization of new Opportunity Zones for a period of 8-10 years beginning in 2026 or 2027.
- Additional incentives for affordable housing and job creation.
- The ability for after-tax dollars (non-gains dollars) to participate in the 10-year exclusion benefit.
- Fund of funds concept. (Allowing QOFs to invest directly into other QOFs.)
- A rolling deferral period, e.g. 5 years.
- Potential permanence of the incentive, with new census tracts designated every 8-10 years.

It’s important to note that these are just preliminary ideas that are just starting to be developed by various OZ industry groups. They are subject to change in coming weeks and months.

## **Focus on Rural Development and Small Businesses**

There is a strong emphasis on boosting rural areas through a State and Community Dynamism Fund, aimed at supporting small to mid-sized businesses within Opportunity Zones.

## **Long-Term Investment Strategies and Reinvestment Flexibility**

Proposed changes may include allowing reinvestment of capital gains before the 10-year holding period, creating a 'super Roth'-like vehicle for long-term growth.

## **Enhanced Transparency and Impact Reporting**

Stricter impact reporting requirements are expected, focusing on demonstrating tangible community benefits to maintain program credibility and bipartisan support.

## **Conclusion**

The legislative outlook for Opportunity Zones has brightened significantly post-election. With a supportive political environment, there is strong momentum for extending the program and introducing reforms to increase its accessibility and impact. Key developments are anticipated in 2025 during budget reconciliation, a process that is likely to result in major tax legislation that could be signed into law by President Trump in the second half of 2025.

[Follow OpportunityZones.com on YouTube](#) to stay on top of the latest OZ news.