Draft version. Subject to minor modifications.
After collecting signatures, this letter will be sent via email to key lawmakers:

June 2, 2025

VIA EMAIL

The Honorable Mike Crapo
Senate Committee on Finance Chairman
United States Senate

The Honorable Tim Scott
Senate Committee on Finance Member
United States Senate

The Honorable Jason Smith
House Committee on Ways & Means Chairman
United States House of Representatives

The Honorable Mike Kelly
House Committee on Ways & Means Member
United States House of Representatives

Re: Renewal and Enhancement of Opportunity Zones in the *One Big Beautiful Bill Act*.

We write as a broad coalition of Opportunity Zone stakeholders (developers, investors, community leaders, and other practitioners) who have collectively helped to facilitate the deployment of billions of dollars of capital into Opportunity Zones across the country since program inception in 2018.

Opportunity Zones may be the most successful economic development program in our nation's history. In just the first few years, the incentive has already directed at least $89 billion[1] of needed investment into distressed communities and has been instrumental in delivering job creation, wage growth, and new housing in some of our nation's most underserved communities:

- **Job Creation:** According to a May 2025 report by the Council of Economic Advisers, the OZ incentive has helped to create over 1 million jobs.[2]
- **Wage Growth:** Since implementation of the OZ incentive, wages inside OZs have grown by 8 percent, compared to 3 percent outside of OZs, according to Sen. Tim Scott's remarks at a May 2025 Opportunity Zone Policy Summit hosted by Great Opportunity Policy Inc.[3]
- **New Housing:** According to the Economic Innovation Group, the OZ incentive has caused an increase of 313,000 new residential addresses in designated communities from Q3 2019 to Q3 2024, nearly doubling the supply of housing in these communities.[4]

We appreciate your continued leadership on this bipartisan policy and commend the House of Representatives for including OZ provisions in the reconciliation bill. This inclusion signals that Opportunity Zones remain a national priority. As the Senate now takes up the bill, we urge you to build

[1] https://www.whitehouse.gov/wp-content/uploads/2025/03/Preserving-and-Expanding-Low-Tax-Rates-to-Create-American-Economic-Prosperity.pdf
[2] Ibid.
[3] https://www.scott.senate.gov/media-center/press-releases/icymi-senator-tim-scott-delivers-remarks-at-opportunity-zone-summit/
[4] https://eig.org/eig-analysis-on-ozs-housing-supply/

off the OZ provisions in the *One Big Beautiful Bill Act* to further improve upon the OZ policy and cement its future as a permanent tool in the economic development toolkit.

We respectfully submit five core recommendations for Opportunity Zones 2.0 legislation:

1. Make the Opportunity Zones incentive permanent, with rolling deferral and recurring rounds of zone designations. OZs should not be subject to an artificial expiration. The House bill's limited 2027–2033 window introduces uncertainty and leaves investors facing a policy cliff. Instead, we urge Congress to enact permanency, with:

- Rolling 7-year deferral treatment for eligible gains, regardless of the calendar year in which the investment is made;
- A recurring schedule to nominate new zones every 10 years based on updated census data and local input;
- A clear transition framework for continuity across zone cycles, so that existing investments are not disrupted.

Permanency would provide certainty around the policy, and move OZs from a temporary incentive to a durable economic development strategy — unlocking long-term capital from more investors.

2. Remove statutory barriers to OZ investment in operating businesses — specifically addressing interim gains treatment, and how existing businesses can qualify as Qualified Opportunity Zone Businesses (QOZBs).

Interim Gains Treatment: Under current law, when a Qualified Opportunity Fund (QOF) sells an asset before the investor's 10-year holding period is met, any gain recognized on that sale is taxable to the investor — even if the fund immediately redeploys that capital into another Opportunity Zone investment. While the original deferred gain remains untaxed until 2026 (or earlier inclusion), new interim gains are taxed immediately, interrupting the benefit of tax-free growth and disincentivizing many multi-asset and operating business fund strategies.

This creates a structural penalty for recycling capital within a fund. And this dynamic discourages shorter-duration projects, portfolio diversification, and — most critically — investment in operating businesses and critical industry onshoring, which often require more agile capital cycles.

We urge Congress to provide interim gain relief by modifying the statute to allow:

- Full deferral of interim gains when a QOF reinvests 100% of the gross sale proceeds (not just the gain) into new Qualified Opportunity Zone Property (QOZP) within a reasonable time frame (e.g., 12 months);
- Preservation of the investor's original 10-year holding period, so that reinvested proceeds remain eligible for the full OZ benefit without triggering a taxable event or restarting the QOF investment clock.

Interim gain relief would align the statute with economic reality. It would enable long-term capital to stay at work in OZs to support more business investment, innovation, and job creation, without punishing investors or limiting fund structures to static real estate models.

How Existing Businesses Can Qualify as QOZBs: Under current law, pre-existing businesses often face insurmountable barriers to qualifying as Qualified Opportunity Zone Businesses (QOZBs). The 70% tangible property test effectively excludes many existing companies simply because they own legacy assets acquired before the program began. (For example: a small manufacturing company that owns tangible property with an adjusted basis of $300,000 would need to acquire $700,000 of additional tangible property in order to be considered a QOZB under current OZ regulations.[5])

Similarly, unclear standards around the use of intangible property make it difficult for tech-enabled and service-based firms to participate — despite being core drivers of job growth and innovation.

To address these issues, we recommend the following statutory fixes:

- Allow existing tangible property to qualify as qualified property. This would permit pre-existing businesses to qualify merely by meeting the substantial improvement test, meaning new tangible property acquired would need to exceed the adjusted basis of existing property. (In the example noted above, this would reduce the new tangible property acquisition requirement to $300,001.);
- Codify a clear and flexible standard for intangible property usage, allowing QOZBs to satisfy the "use" test when a substantial share of income-generating activity associated with intangible assets occurs within the Opportunity Zone.

This relief is vital to unlocking OZ investment in small businesses, startups, and growth-stage companies, where holding periods are naturally shorter.

These changes will provide better support both for small business entrepreneurs and for the onshoring of critical industries such as manufacturing, energy production, supply chain logistics, and advanced technology — sectors that frequently involve milestone-based capital needs, phased expansions, and investor exits prior to 10 years.

Without these changes, the OZ incentive will remain underutilized for exactly the kinds of operating businesses it was originally intended to benefit.

3. Avoid an Opportunity Zone capital freeze by providing a clear 2025–2026 transition framework.

The House bill ends current OZ designations on December 31, 2026 and initiates a new round in 2027. But as written, the bill does not allow zone redesignation to begin until after the current map expires — creating a gap in active zones that will disrupt deal flow and investment.

This is likely to result in an OZ capital freeze later this year that would run through 2026 and into 2027, for the following reasons:

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[5] Example borrowed from Novogradac OZWG: https://www.novoco.com/public-media/documents/ozwg-transition-team-letter-01032025.pdf

- New zones won't be usable on day one. Like the 2018 rollout, zone nominations and Treasury certification will likely take several months. The new OZ map may not be finalized until mid-2027 — leaving a void starting January 1, 2027;
- Investors face a hard cutoff. Gains recognized after 12/31/26 will not qualify for the first round of the incentive. But without an active map for the second round, would-be OZ investors will have nowhere to deploy capital at the start of 2027;
- Projects have long lead times. Sponsors planning deals in 2025 and 2026 won't know if those projects will still qualify on the new map. That uncertainty will stall fundraising, underwriting, and predevelopment work. Some OZ-focused operators may not survive the pause.

To avoid this disruption, we urge Congress to:

- Keep current OZ designations through at least the end of 2028, creating a two-year overlap with the next cycle;
- Allow the zone nomination process to begin as soon as feasible, so the new map is active on January 1, 2027 (or sooner);
- Allow dollars invested in QOFs in 2026 to qualify for the new regime of basis step-ups and deferral, to avoid a pause in investment activity;
- Include explicit statutory transition rules confirming that projects and funds initiated before 2027 will retain eligibility under the current framework through completion.

Codifying these protections in law will ensure continuity and prevent a damaging freeze in OZ investment activity. Without this fix, the OZ ecosystem will contract, just as many housing, infrastructure, and small business projects are preparing to launch.

4. Enable fund-of-funds structures to broaden access and efficiency. The current statute prohibits QOFs from investing in other QOFs. This limits scale, hampers diversification, and creates unnecessary administrative burden — especially for national platforms seeking to channel small-dollar investments into community-based OZ projects, particularly those in rural areas.

We urge Congress to revise the statute in order to:

- Allow fund-of-funds structures, consistent with the framework proposed in the *Opportunity Zones Transparency, Extension, and Improvement Act* (2023)[6], which permits Qualified Feeder Funds, so long as they invest at least 95% of their assets into other QOFs;

This change would immediately expand capital access, and support more equitable distribution of capital.

5. Allow meaningful participation of ordinary income. While the current OZ incentive requires a capital gain deferral, the House bill would allow ordinary income to participate — but only up to a $10,000 lifetime cap per taxpayer. This is a step in the right direction, but the cap is far too low to be

[6] https://www.congress.gov/bill/118th-congress/house-bill/5761

usable in practice. Most QOF minimums are in the six-figure range, and creating a self-funded QOF with less than $100,000 in capital is generally infeasible due to administrative and compliance costs.

If the goal is to broaden access to OZ investing—particularly in rural and undercapitalized markets—Congress should revise the statute to enable meaningful participation by middle-income investors.

We recommend that Congress revise the statute to:

- Allow after-tax dollars to qualify for the 10-year benefit, even without deferral;
- Eliminate or increase the ordinary income investment cap to at least $100,000, to enable practical participation by investors.

This change would be high-impact in democratizing access to OZ participation and allow for more inclusive capital flows across a wide range of communities.

Finally, though likely not feasible under budget reconciliation, we recommend that Congress adopt transparency and information reporting requirements consistent with those introduced by the *Opportunity Zones Transparency, Extension, and Improvement Act* (2023).

These reforms are aligned with years of stakeholder feedback, including priorities long championed by your offices, and reinforced in recent public-private discussions. By some estimates, Opportunity Zones have already driven over $100 billion in private investment into underserved communities. With thoughtful updates, this program can scale even further — fueling entrepreneurship, accelerating business formation, and creating good-paying jobs in the very communities that need them most. Opportunity Zones can become a cornerstone of place-based economic renewal and reach the full range of American communities they were designed to serve.

We thank you for your leadership, and we stand ready to support your efforts. If you have any questions about these recommendations, please contact Jimmy Atkinson, CEO of OpportunityZones.com at jimmy@opportunityzones.com.

Sincerely,

[Signatory Block Begins]

cc: The Honorable Steve Bessent, Department of Treasury
The Honorable Scott Turner, Department of Housing and Urban Development
The Honorable John Thune, United States Senate
The Honorable Mike Johnson, United States House of Representatives
Vince Haley, White House Domestic Policy Council
Kevin Hassett, National Economic Council
Stephen Miran, Council of Economic Advisors