

Opportunity Zones 2.0 Cheat Sheet

By Jimmy Atkinson, OpportunityZones.com

What is the Opportunity Zone 2.0 program?

The One Big Beautiful Bill Act of 2025 enhances the Opportunity Zones tax incentive, and makes the program a permanent feature of the tax code. The enhancements (referred to as OZ 2.0) include a new regime of tax benefits for investors, targeted benefits for rural areas, and new impact reporting requirements for OZ funds.

5 Key OZ 2.0 Provisions

1. **Permanent** program framework with decennial zone selection.
2. **Narrower criteria** that tighten the definition of a “low-income community” for OZ eligibility.
3. **New deferral schedule and basis step-up** for post-12/31/26 investments: a universal five-year deferral and automatic 10 percent basis increase at the five-year mark.
4. **Rural incentives:** a 30 percent basis step-up and a reduced 50 percent substantial-improvement requirement for existing buildings in rural OZs.
5. **Expanded reporting requirements**, promising greater transparency for funds and investors.

OZ 1.0 vs. OZ 2.0

	OZ 1.0	OZ 2.0
Enacted	Tax Cuts & Jobs Act (12/22/2017)	One Big Beautiful Bill Act (7/4/2025)
Duration	Temporary Program; Expires 12/31/2026	Permanent with 10-Year Cycles; Starts 1/1/2027
Zone Designation	One-Time (July 2018)	Every 10 years, starting 1/1/2027
Zone Expiration	12/31/2028	Every 10 years, starting 12/31/2036
Zone Eligibility	≤ 80% area/statewide median income; or ≥ 20% poverty rate	≤ 70% area/statewide median income; or ≥ 20% poverty rate + ≤ 125% AMI
Contiguous Zones	Up to 5% non-low-income contiguous	N/A
Number of OZs	8,764	Anticipated ~6,500 in 2027
Reporting	Minimal	Expanded
Gain Deferral	12/31/2026	5 years from date of investment
Gain Reduction (via basis step-ups)	15% for investments by 12/31/2019; 10% for investments by 12/31/2021; None for investments after 2021.	10% applied at 5-year mark of investment.
10-Year Exclusion	OZ investment appreciation is not taxed after achieving a 10-year hold. And no depreciation recapture. Step-up to FMV must be taken by 12/31/2047.	OZ investment appreciation is not taxed after achieving a 10-year hold. And no depreciation recapture. Step-up to FMV must be taken by 30-year mark.
Additional Rural Benefits	N/A	30% basis step-up at 5-year mark; 50% substantial improvement threshold