

Opportunity Zone 2.0 FAQ

What is an Opportunity Zone?

An Opportunity Zone (OZ) is an economically distressed census tract designated by a U.S. state or territory and certified by the U.S. Department of the Treasury.

What is a rural Opportunity Zone?

A rural opportunity zone is an economically distressed census tract in a city or town with a population of 50,000 or less that isn't contiguous to a city with a population greater than 50,001.

What is an economically distressed census tract?

An economically distressed census tract is one where the median family income is at or below 70% area and or statewide median family income or has a poverty rate of 20% or higher. The U.S. Department of Treasury will be issuing an official list of census tracts eligible for OZ designation.

Is there a map or list of eligible economically distressed census tracts?

Several advocacy groups and OZ advisors have created lists and maps of likely eligible census tracts. One such map maybe found [here](#). The U.S. Department of Treasury will be issuing its official list of eligible census tracts shortly.

Who designates OZs?

The governors of each state will nominate economically distressed census tracts to the U.S. Department of Treasury for approval. In Idaho, the Department of Commerce will assist in this effort by hosting a nomination process through its grant's portal. OZ nominations will be reviewed by the [Governor's Economic Advisory Council](#) (EAC). EAC will provide OZ designation recommendations to the Governor's Office.

Who may nominate eligible census tracts?

Nominations for eligible census tracts in Idaho will be limited to cities, counties and tribes. Cities, counties, and tribes may nominate one or more eligible census tracts. Cities, counties and tribes nominating multiple census tracts will be required to rank order their nominations. E.g. this is our top pick, second pick etc.

How does our city, county or tribe get access to the Idaho Commerce grants portal?

Any city, county or tribe that has submitted an Idaho Gem Grant, Tax Reimbursement Incentive, broadband grant or tourism grant application should have a login and password

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to the Idaho Commerce Grants portal. Access to the grant's portal is limited to one login and password per city, county or tribe. Cities, counties with no prior access to the grant's portal or need help recovering a prior account should reach out to grants@commerce.idaho.gov.

When will the new OZs go into effect?

The OZ program created in the Big Beautiful Bill will go into effect on January 1, 2027, and remain in place through December 31, 2036.

What is the benefit of having an Opportunity Zone?

Having an OZ may help a community attract capital and investment opportunities. OZ investing provides investors with an opportunity to defer and reduce capital gains liability and avoid capital gains liability on OZ investments held for 10 years or more. The investment benefits are more generous for OZs located in rural communities.

What is a Qualified Opportunity Fund?

A qualified opportunity fund (QOF) is a corporate entity established to invest in OZ business projects. QOFs must be funded with capital gains from other investments. These investments may be capital gains from stocks, bonds, real estate, or the sale of other assets, to name a few. In addition to forming a corporate entity, a QOF must self-certify by filing [Form 8996](#) with the Internal Revenue Service.

What are the specific benefits to Opportunity Zone investors?

First, capital gains deferral: investors who roll eligible gains into a Qualified Opportunity Fund (QOF) within 180 days may defer recognizing those gains for up to five years from the investment date. Second, basis step-up: if held for five years, investors receive a 10% increase in their basis on the deferred gain, meaning only 90% of the originally deferred gain is ultimately taxable (30% / 70% for QROF investments). For example, an investor sells stock, earning a \$100,000 capital gain that is placed into a QOF. For the first five consecutive years that \$100K remains in the QOF, the investor can delay or defer paying capital gains. At the end of five years, instead of paying capital gains on \$100K, the investor is paying capital gains taxes on \$90K. If the QOF invests in a rural OZ, the tax liability on \$100K is reduced to \$70K. Third, gain exclusion: investors who hold their QOF interest for at least 10 years may exclude 100% of the new capital gains generated by the OZ investment itself from federal income tax.

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What types of investment are eligible for Opportunity Zone benefits?

Eligible investments include real estate development and business working capital. Investments must be located within an Opportunity Zone. Property investments must involve the acquisition and construction of new property, or existing property that is substantially improved. A QOF cannot simply purchase property and sit on it.

What is substantial improvement?

Substantial improvement is based on the price of the property, less than the cost of land at the time of purchase. In urban OZs substantial improvement is \$1.00 for \$1.00 spent on building value. In rural OZs the substantial improvement test is \$.50 of improvements for every \$1.00 spent on acquisition. For example, the Acme QOF buys a property for \$1.5 million. The land is appraised at \$500,000. To comply with the law, Acme must spend another \$1 million improving the property. If Acme were to purchase this same property in a rural OZ, they would need to spend \$500,000 on improvements.

What types of investments are not eligible for Opportunity Zone Benefits?

Certain "sin businesses" are excluded, including golf courses, country clubs, massage parlors, hot tub facilities, suntan facilities, racetracks or other gambling facilities, and liquor stores. Additionally, businesses whose primary function is investing in other funds or businesses typically do not qualify as active trades or businesses.

Who is a good Opportunity Zone Contact for Idaho?

For general questions please contact jerry.miller@commerce.idah.gov. Specific investment questions and scenarios should be discussed with an accountant, investment advisor or legal counsel with a background and expertise in OZ investing.