Qualified Opportunity Zone Alert

February 2025

Ohio Opportunity Zone Tax Credit Program Updates

Overwhelming Demand in 2024

Ohio's Opportunity Zone (OZ) Tax Credit program, which awards 10% transferable, non-refundable Ohio tax credits for qualifying equity investments, saw record demand in 2024 that shut out many investors. The allocation of Ohio OZ tax credits for fiscal year 2024 was reduced to $25 million (from $50 million in 2023), and the full year's allocation was exhausted after just one of the two semi-annual application rounds, leaving investors who made qualifying equity investments between July 1 and December 31, 2024, unable to apply for credits. At this time, the Ohio Department of Development has not indicated that there will be an opportunity to apply for credits for "lost" investments that would otherwise have qualified for the Ohio OZ program.

Plan Now for 2025

The first application round for fiscal year 2025 opens July 10 for qualifying investments made between January 1 and June 30, 2025. Given the expected high demand and $25 million limit on available credits for the entire fiscal year, investors looking to take advantage of this incentive should plan early to avoid being excluded.

Key Considerations

Increased competition: With demand at an all-time high and no expected increase in funding, applicants should anticipate heightened competition for available credits.

Investment structuring: Proper structuring of investments remains critical to ensuring compliance with program requirements and optimizing eligibility for tax credits.

- *Risk of "lost" qualifying investment:* If all available credits are allocated following the July 2025 application round, none will be available for investments made in the second half of the calendar year.
- *Tax credit equity:* Federal and state tax credits, such as Historic Tax Credits, New Markets Tax Credits, and Low-Income Housing Tax Credits, may allow for additional Ohio OZ tax credits.

Application timing: Investors should prepare to submit applications as soon as the program reopens to improve their chances of securing an allocation.

As the next application cycle approaches, businesses, real estate developers, and individual investors should evaluate their investment plans and ensure they are positioned to apply successfully.

FOR MORE INFORMATION

For more information, please contact:

Alexander J. Previts, CPA*
Development Finance Manager, PMC
216.469.7005
Alexander.Previts@aboutPMC.com

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