

Qualified Opportunity Zone Alert

November 2026

CDFI Announces Opportunity Zone 2.0 Tracts Early: Impacts for Ohio Projects

The much-anticipated new federal Opportunity Zone (OZ) designations and map have arrived earlier than expected. The One Big Beautiful Bill Act of 2025 made the federal OZ program permanent under a version commonly referred to as "OZ 2.0." Treasury and the IRS have now designated 6,576 Qualified Opportunity Zones nationwide, including 2,594 rural tracts. The new zones take effect January 1, 2027, and run through December 31, 2036.

Federal tax benefits under OZ 2.0: Investors who reinvest eligible capital gains through a Qualified Opportunity Fund can:

- Defer those gains for five years on a rolling basis
- Receive a 10% basis step-up after five years
- Elect a fair-market-value basis step-up after holding the investment for at least 10 years, effectively eliminating federal capital gains tax on qualifying appreciated value

Rural areas receive significant additional benefits: investments through Qualified Rural Opportunity Funds are eligible for a 30% basis step-up after five years, while the substantial improvement requirement for existing property in qualifying rural zones is reduced from 100% to 50%.

Ohio's key additional local benefit is generally unchanged: a 10% non-refundable, transferable Ohio tax credit for qualifying investments made through an Ohio Qualified Opportunity Fund. Ohio has also added transition rules and eligibility requirements for projects in OZ 1.0 tracts that are not on the new map. At the federal level, the rules for deferrals, rural incentives and reporting have been updated. The Ohio Department of Development's recent publication indicates a continued reliance on Treasury, IRS and CDFI's rules and regulations on the federal QOZ program for the Ohio OZ program.

Ohio's New Map: 20% Fewer Zones

Under OZ 1.0, Ohio designated 320 census tracts in 73 of its 88 counties. Under the tighter OZ 2.0 eligibility tests, 260 tracts have been designated, with 96 rural and 164 non-rural tracts. That is 60 fewer zones than under OZ 1.0, a decrease of nearly 20%. The new zones span 75 of Ohio's 88 counties.

Looking Ahead

We estimate that roughly $30 million in Ohio 10% OZ tax credits will be available in the January 2027 round. Past rounds have been oversubscribed, so preparation is critical. Over the last six years, our Ohio OZ expertise has helped clients secure more than $33.7 million in Ohio OZ credits. We work with developers and investors at every stage, from evaluating project eligibility and structuring qualifying investments to assembling documentation, preparing competitive applications and pairing OZ credits with other incentives.

FOR MORE INFORMATION

For more information, please contact:

Alexander J. Previts, MAcc, CPA, DFCP*
Development Finance Director, PMC
216.469.7005
Alexander.Previts@aboutPMC.com

Ryan P. Sommers, CPA*
Managing Director of Financial Services, PMC
216.566.7887
Ryan.Sommers@aboutPMC.com

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