OZ 2.0 Opens the Next Decade of Opportunity Zone Investing

By Brandon Jones, Michael A. DePompei | November 9, 2026

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On Nov. 5, 2026, the U.S. Department of the Treasury ("***Treasury***") and the Internal Revenue Service ("***IRS***") announced the next round of Qualified Opportunity Zone ("***QOZ***") designations for all 50 states, U.S. territories and the District of Columbia under the latest iteration of the QOZ program, known as OZ 2.0.

OZ 2.0, which was enacted as part of the One Big Beautiful Bill Act, includes significant alterations to the QOZ tax incentive program, such as the permanent renewal of the QOZ tax program, the enhancement of certain tax incentives applicable to investments in qualified opportunity funds that invest in eligible rural communities and the establishment of a process of designating new QOZs every 10 years. The new QOZ designations become effective on Jan. 1, 2027, and retain this designation for 10 years.

Leading up to the latest designations, 25,332 eligible census tracts had been identified by Treasury and the IRS for potential QOZ designation, of which 8,334 were in rural areas. In addition, over 100 additional eligible census tracts were subsequently nominated and recognized by Treasury as potential QOZ designations pursuant to an alternative designation process that was made available under OZ 2.0. Ultimately, 6,576 of the eligible census tracts were designated as QOZs effective Jan. 1, 2027, with 2,594 located in rural areas.

For investments in a qualified opportunity fund made on or after Jan. 1, 2027, OZ 2.0 provides investors with three tax benefits, including (i) potential five-year deferral of eligible invested capital gains, (ii) a permanent exemption/elimination of the taxes on 10 percent (30 percent in the case of capital gains invested in a qualified opportunity fund that holds at least 90 percent of its assets in qualified rural opportunity zone property) of invested capital gains that remain invested for five years, and (iii) a potential 100 percent permanent exemption/elimination of any gain (including any recapture income) resulting from an exit event with respect to the applicable QOZ investment that has been held for 10 years or more.

If you would like to discuss whether a prospective QOZ investment may be eligible for the benefits under OZ 2.0, or how your current QOZ investment may be affected by OZ 2.0, please reach out to the Haynes Boone attorneys listed below.

Download a list of designated QOZs under OZ 2.0 and access an interactive map HERE.

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