Qualified Opportunity Zones 2.0

A Refreshed Framework for Tax-Advantaged Investments

Qualified Opportunity Zones 2.0 (QOZ 2.0) marks the next generation of Opportunity Zone investing. Established as a permanent program under The One Big Beautiful Bill Act, QOZ 2.0 builds on the original framework with newly designated communities and enhanced opportunities to align economic development with tax-efficient real estate investment strategies.

What Are Qualified Opportunity Zones?

The Opportunity Zone program was originally created under the 2017 Tax Cuts and Jobs Act to revitalize economically distressed communities using private investments. Qualified Opportunity Zones (QOZs) are census tracts–permanent statistical subdivisions of a county–composed of economically disadvantaged communities. Under QOZ 2.0, new zones will be designated every 10 years, keeping the program aligned with shifting economic conditions over time. More than 6,500 census tracts nationwide have been designated as QOZs under QOZ 2.0, with these zones remaining in place through 2036.

QOZ Investment Timeline: *DEFER. REDUCE. ELIMINATE.*



*30% step-up in basis for gains invested in rural opportunity zones.

QOZ Evolution: 1.0 vs. 2.0

QOZ 2.0 is a permanent evolution of the original Opportunity Zone program or, QOZ 1.0. The updated framework introduces enhanced tax incentives, recurring zone redesignations, and greater transparency with a long-term structure. Understanding the distinctions between the two is essential as the program enters its next chapter.

	QOZ 1.0	QOZ 2.0
Duration	Expires 12/31/2026	Permanent; starts 1/1/2027 (10-year designation cycles)
Zone Redesignation	Zones in effect until 12/31/2028	New designations beginning 2027 and every 10 years thereafter
Income Threshold for QOZ Designation	<= 80% area median income	<= 70% area median income or poverty ≥20% and median income <125% of area median
Gain Deferral Period	Gain deferred until 12/31/2026	5-year rolling deferral from investment date (one time relevant to each investment)
Basis Step-Up	10% after 5 years 15% after 7 years	10% after 5 years (one time relevant to each investment)
Exclusion Cap	Permanent after 10 years	Permanent after 10 years (subject to 30-year cap framework)
Focus on Rural Areas	N/A	30% basis step-up after 5 years / relaxed improvement requirement (~50% of adjusted basis)
Reporting Requirements	Minimal	Expanded fund reporting and penalties for non-compliance

How Do Qualified Opportunity Funds Work?

A Qualified Opportunity Fund (QOF) is an investment vehicle typically organized as a corporation or a partnership for U.S. federal income tax purposes which must hold at least 90 percent of its assets in QOZ businesses and assets. **From the date of sale of an appreciated asset that triggers taxable capital gain, an investor generally has 180 days to invest those gains in a QOF (exceptions exist for gain from passthrough entities) in order to reap the significant potential tax advantages of the Opportunity Zone Program.**

QOZ 2.0 Tax Benefits by the Numbers



5-Year Gain Deferral
Deferral of eligible gains for a period of five years, beginning on the date that the taxpayer makes an investment in a QOF.



10% Step-Up Basis
Investors who hold a qualifying QOF investment for five years may receive a 10 percent basis increase on the originally deferred gain. This basis increase is 30 percent for gains invested in rural Opportunity Zones.



100% Tax Elimination on Appreciation
Elimination of tax on gains accrued in the QOF after achieving a 10-year holding period.

Explore potential tax advantages of QOZ investing with Inland's interactive calculator. Scan the QR code to get started.

Sources:
https://opportunityzones.com/faq/what-is-opportunity-zones-2-0/
https://www.hud.gov/opportunity-zones/investors
Treasury, IRS Announce Opportunity Zones Designations for Over6,500 Communities Across America, November 5, 2026.
New Opportunity Zone Map Shrinks 25%; 39% in Rural Tracts. November 5, 2026.

Investments in offerings sponsored by Inland Private Capital Corporation (IPC) involve certain risks including but not limited to tax risks, general real estate risks, risks relating to the financing on the applicable property, if any, risks relating to the ownership and management of the property, risks relating to private offerings and the lack of liquidity, and risks relating to the QOZ and QOF structure. In addition, IPC can give no assurance that it will be able to pay or maintain distributions, or that distributions will increase over time.

QOZ-Specific Risks to Consider
An investment in a qualified opportunity zone fund involves significant risk and is suitable only for investors who have adequate financial means, desire a relatively long-term investment and who will not need immediate liquidity for their investment and can afford to lose their entire investment. There are substantial risks associated with the U.S. federal income tax aspects of a purchasing interests in a qualified opportunity fund. The following risk factors summarize some of the tax risks to an investor. All prospective investors are strongly encouraged to consult with and rely on their own tax advisors. The tax discussion here is not intended, and should not be construed, as tax advice to any potential investor.

- There is a lack of precedent and limited guidance related to qualified opportunity funds.
- A program intended to qualify as a qualified opportunity fund may not constitute a qualified opportunity fund for a variety of reasons, including a failure to substantially improve the property within the first 30 months of its operation. If a fund does not qualify as a qualified opportunity fund, then no deferral or elimination of taxable gain will be available to its members.
- Investors who acquire interests in a qualified opportunity fund and defer gain through such investment will automatically recognize some or all of the federal income tax gain that they deferred on the date that is five years after their investment in such qualified opportunity fund.
- The state, local and other tax implications of a qualified opportunity zone investment are unclear.
- This communication includes a brief and general description of certain QOZ and QOF guidelines. Prospective investors should consult their own tax advisor regarding in investment in an IPC-sponsored program.

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