

Update on O-Zones

By Amy Wolff Sorter

The Tax Cuts & Jobs Act introduced the Opportunity Zone program in 2017. During that year, and in years following, plenty of stories—both positive and negative—were devoted to this program. Though the stories and headlines have tapered off, the program is still functioning, and will do so until December 2026.

At least, unless Congress passes an extension.

One question about the Opportunity Zones program is whether “The Opportunity Zones Improvement, Transparency and Extension Act” might be re-introduced to Congress and passed. The legislation to extend Opportunity Zones until 2028 had been introduced in April 2022, but didn’t pass before the end of the year.

Will the second time be the charm? According to OpportunityDb, “extending and improving the tax policy remains a priority for the industry and key supporters in Congress.” Still, experts told OpportunityDb in a recent webinar that debt limit issues could push potential tax legislation to the latter part of 2023. It isn’t necessarily the Opportunity Zone program extension that’s being delayed, as much as different tax legislation just isn’t a priority, the experts noted.

On the other hand, according to Novogradac, more than \$100 billion in equity has gone to Opportunity Zones since the 2017 implementation. In 2022, Novogradac-tracked Qualified Opportunity Funds showed approximately \$10 billion in equity investment during 2022, the most since the legislation passed.

But there are challenges coming up. A report published by Matthews Real Estate Investment Services indicated that the markets aren’t as high-performing as they were during the first years of the program. Additionally, fears of a recession are putting some investments on hold, while investors, in all, have fewer capital gains allocations.

Still, “more investors are on the hunt for properties at bargain prices, and the heightened awareness and education of the program provided throughout 2023 will help it gain even more traction,” according to the Matthews report.

Additionally, some of the numbers showed that inflation and higher interest rates aren’t negatively impacting Qualified Opportunity Zones. “Even with historic inflation rates,” the Matthews report noted, “Opportunity Zones continued to thrive in 2022, and 2023 should be no different.”