



QUALIFIED OPPORTUNITY ZONES

OZone 1.0 or OZone 2.0?

FACTOR	INVEST NOW (OZ 1.0 Rules Through December 31, 2026)	INVEST LATER (OBBBA/OZ 2.0 Rules After January 1, 2027)
Program Certainty/ Zone Designations	<ul style="list-style-type: none"> The current Qualified Opportunity Zones are already designated and well understood. The rules have been tested and sponsor experience is established. 	<ul style="list-style-type: none"> The program is permanent, but new OZone maps have not yet been finalized. Geographic opportunities may shift. IRS/Treasury guidance is still in development through 2026-27.
Deferral Period for Original Gain	<ul style="list-style-type: none"> The gain deferral lasts only until 12/31/26 (tax due in 2027). The benefit is shorter, but the timing is highly predictable. 	<ul style="list-style-type: none"> Rolling deferral window (gains invested after 12/31/26 can defer tax for up to 5 years from the investment date, improving long-term cash flow planning).
Step-Up in Basis on Deferred Gain	<ul style="list-style-type: none"> There is no remaining 10% or 15% step-up under OZone 1.0. 	<ul style="list-style-type: none"> A 10% step-up is reinstated after 5 years (and up to 30% for certain qualified funds). There is potentially more tax reduction on deferred gain.
Exclusion of Appreciation (10 Year Rule)	<ul style="list-style-type: none"> Still applies... appreciation after a 10+ year hold is tax-free under current rules. You must sell by the end of 2047 to claim the full tax-free appreciation benefit. 	<ul style="list-style-type: none"> This still applies, with added flexibility to reinvest and potentially reset the basis up to 30 years.
Valuation / Entry Point	<ul style="list-style-type: none"> Current pricing in many OZone markets may be off-peak. FMV rules under OZone 1.0 may reduce your original capital gains. 	<ul style="list-style-type: none"> FMV rules apply but may not have as big of an impact due to the five-year rolling capital gains deferral.
Regulatory / Reporting	<ul style="list-style-type: none"> Simple and familiar. Sponsor infrastructure, compliance, and reporting routines are well-established. 	<ul style="list-style-type: none"> Expanded transparency and data reporting requirements improve long-term investor protection but may cause operational friction early on.
Legislative / Implementation Risk	<ul style="list-style-type: none"> Low. OZone 1.0 rules are final and functioning in-market. 	<ul style="list-style-type: none"> Higher. OZone 2.0 is law, but the IRS still needs to formalize mechanics (<i>especially rural step-ups and new zone designations</i>). Guidance may lag until mid-2026.
Investor Competition / Deal Flow	<ul style="list-style-type: none"> Moderate now. Some sponsors are focused on closing 2026-vintage funds. 	<ul style="list-style-type: none"> Likely higher in 2027-28 as advisors re-enter the market under the refreshed program, which may compress yields.
Capital Gain Timing	<ul style="list-style-type: none"> This strategy works especially well for unexpected or unplanned gains, as investors can deploy immediately under known rules. 	<ul style="list-style-type: none"> This strategy is better for investors who can time liquidity events and hold gains until after OZone 2.0 is fully active.
Trade-Offs	<ul style="list-style-type: none"> Higher certainty, established zones, and potentially better entry valuations There are fewer benefits associated with stepping up. 	<ul style="list-style-type: none"> Enhanced tax benefits and flexibility The implementation risk is higher due to the uncertainty of future zone maps and the potential for higher valuations.

If you have any questions on Opportunity Zone Investing, schedule a 15-Minute Discovery Call today!



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