Important Update: Major Changes Ahead for Qualified Opportunity Zone (QOZ) Investments

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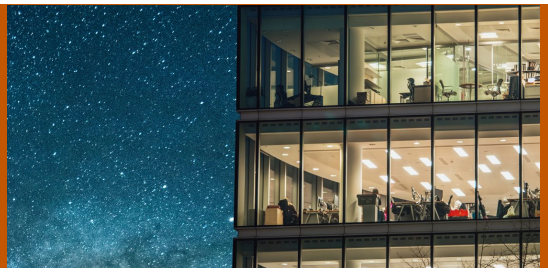

Significant legislative changes have been enacted that reshape the future of Qualified Opportunity Zone (QOZ) investing. These updates introduce new opportunities—but also new compliance obligations—for taxpayers considering deferring capital gains through Qualified Opportunity Funds (QOFs).

Below is a summary of the key updates and what they may mean for you.

What's Changing?

1. The New Rules Apply Only to Investments Made *After December 31, 2026*

The recently enacted framework does not alter existing QOZ investments. Any investment made on or before 12/31/2026 will continue to follow the "old law" rules currently in place.

Only new investments beginning January 1, 2027 fall under the updated structure.

2. Permanent Extension of the QOZ Program

The program no longer sunsets after 2026. The new legislation establishes QOZs as a permanent component of federal tax policy.

3. Rolling 10‑Year QOZ Designations

Governors may now designate QOZ census tracts on a rolling 10-year basis beginning in 2027, opening the possibility for new zones across the country.

4. Updated Gain Deferral Rules

Under the new law, deferred gains will be recognized on the earlier of:

- the sale of the investment, or
- five years after the QOZ investment is made
  (Compared to the old law's recognition at sale or 12/31/2026.)

5. Gain recognition

While the old structure allowed investors to reduce their deferred gain by 10% after a 5-year holding period and 15% after 7 years, the new law preserves only the 10% reduction, available once an investment is held for at least five years.

There is no additional 5% reduction for longer holding periods under the new rules.

6. Continued 10‑Year Exclusion Opportunity

For investments held more than 10 years, taxpayers may still elect to step up basis to fair market value at sale—potentially eliminating post-investment appreciation from tax.

7. Substantial Expansion of Reporting Requirements

Funds and QOZ businesses must now meet significantly enhanced annual reporting and disclosure obligations, with higher

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penalties for non-compliance.

What This Means for You

If you made (or will make) QOZ investments on or before 12/31/2026, your investment remains governed by the current rules.

If you anticipate realizing capital gains in 2027 or beyond, the updated framework may provide new planning opportunities—but it will require careful analysis due to narrower deferral windows and more stringent compliance expectations.

We encourage you to reach out so we can evaluate how these changes may impact your tax strategy, investment planning, and long-term financial goals.

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