



Tax Insights  
from Washington National  
Tax Services

# IRS provides listing of eligible Qualified Opportunity Zone census tracts

April 9, 2026

## In brief

### What happened?

Treasury and the Internal Revenue Service released [Rev. Proc. 2026-14](#) on April 6, 2026 to provide guidance to Chief Executive Officers of the 50 states, the District of Columbia, Puerto Rico, and all other US territories regarding the procedure for nominating population census tracts to be designated as qualified opportunity zones (QOZs). In addition to guidance on the overall nomination process, Rev. Proc. 2026-14 includes as an appendix a list of eligible census tracts based on the 2020-2024 American Community Survey (ACS) 5-year and the 2020 Decennial Census of Island Areas (DECIA) data sets from the Bureau of the Census.

### Why is it important

The QOZ tax incentive, first enacted as part of the 2017 Tax Cuts and Jobs Act (TCJA), was made permanent as part of the One Big Beautiful Bill Act (OBBBA). OBBBA provided for new QOZ designations every ten years and made several amendments to the TCJA-enacted tax incentive, including increased restrictions regarding the eligibility requirements for a census tract to be designated as a QOZ. The first “decennial determination date” is set to occur on July 1, 2026, with new designations coming into effect on January 1, 2027. Many census tracts that were designated QOZs as part of the TCJA-enacted QOZ tax incentive may be ineligible for designation in this new round due to the tightened eligibility requirements enacted under the OBBBA.

## Actions to consider

Investors and sponsors of qualified opportunity funds (QOFs) and qualified opportunity zone businesses (QOZBs) should analyze the newly published list of eligible census tracts, and work with their state and local governments to nominate tracts for designation. It is important to note that, to the extent a tract is not included in the published list, additional nominations may be considered if accompanied by a detailed analysis demonstrating that the nominated tract satisfies the QOZ eligibility requirements.

## In detail

### Initial TCJA QOZ tax incentive

Congress enacted the QOZ tax incentive as part of the TCJA to promote investments in economically distressed communities by allowing investors to defer taxes on capital gains (with the potential to fully exclude any future capital gains on exit) while promoting long-term economic growth in those communities.

For a census tract to be designated as a QOZ under the TCJA QOZ tax incentive rules, the tract was required to meet the definition of “low-income community” as defined under the new markets tax credit (NMTC) program, or be contiguous to such a community that was designated as a QOZ.

State governors had until March 21, 2018 to nominate up to 25 percent of eligible census tracts for designation, with 8,762 tracts ultimately designated (two additional tracts in Puerto Rico were added on June 15, 2019, for a total of 8,764 QOZs). The original QOZ designations are generally set to expire on December 31, 2028, with certain QOZs designated in Puerto Rico set to expire on December 31, 2027.

### OBBBA changes to the QOZ tax incentive

The OBBBA permanently extended the QOZ tax incentive, which otherwise would have expired after December 31, 2026, and specified that a new set of designated tracts come into effect every ten years. The first 90-day designation period under the new rules will run from July 1, 2026, through September 29, 2026, potentially extendable for an additional 30 days, and would conclude, at the latest, on October 28, 2026. Following a 30-day consideration period, new tracts will be designated as QOZs by the Secretary of the Treasury no later than December 28, 2026, and will come into effect on January 1, 2027.

### Zone restrictions and changes

As part of the permanent extension of the QOZ tax incentive, the OBBBA tightened the requirements for census tract eligibility for designation. Rather than following the NMTC definition used for the first round of QOZ designations, the OBBBA provided a definition of “low-income community” specific for the extended QOZ tax incentive. Under the new definition, the median family income threshold is reduced from 80 percent of statewide or metropolitan area median family income to 70 percent. A median family income limitation also was added to the poverty rate test. For tracts with a poverty rate of at least 20 percent, the median family income also must not exceed 125 percent of the median family income within the relevant area. Contiguous census tracts that are not themselves low-income communities are no longer eligible for designation.

**Observation:** According to the Community Development Financial Institution Fund, a total of 42,176 census tracts were eligible for designation as QOZs under the TCJA-enacted tax incentive, based on the

2011-2015 ACS 5-year data. The appendix to Rev. Proc. 2026-14 lists a total of 25,332 census tracts that satisfy the new eligibility requirements, a significant reduction compared to the TCJA QOZ tax incentive.

**Observation:** Of the 8,764 QOZs designated in the TCJA-enacted tax incentive, only 230 (less than 3 percent) were contiguous communities. QOF sponsors should determine whether any existing investments are located in these contiguous communities while awaiting transition guidance from the Treasury Department and the IRS to address their potential ongoing qualification.

Puerto Rico and other US territories will continue to be eligible to nominate census tracts. However, a rule automatically designating all low-income communities of Puerto Rico as QOZs was repealed effective December 31, 2026.

**Observation:** There are over 900 census tracts in Puerto Rico, almost 75 percent of which meet the revised definition of low-income communities under the OBBBA. Due to the repeal of the special rule for Puerto Rico, no more than 25 percent of low-income communities in Puerto Rico may be designated as QOZs. In light of this statutory change, QOFs looking to pursue investments in Puerto Rico should work with local governments to identify tracts for QOZ designation.

**Observation:** While most QOZs designated as part of the TCJA-enacted tax incentive are set to expire on December 31, 2028, QOZs in Puerto Rico will expire on December 31, 2027. QOFs with investments in Puerto Rico should pay especially close attention to transition guidance from the Treasury Department and the IRS due to the reduced overlap period of TCJA-enacted QOZs and the newly designated QOZs.

The Treasury Department has indicated that there may be census tracts eligible for nomination which are not included in the appendix to Rev. Proc. 2026-14. Tracts that do not appear on the list may be nominated and will be considered by the Secretary of the Treasury, if accompanied by a detailed analysis demonstrating that the tracts satisfy the new eligibility requirements.

**Observation:** QOFs contemplating investments in tracts that are not included in the appendix should work with state and local governments to identify these tracts and assess the tracts' qualifications as low-income communities.

## Rural opportunity zones

In an effort to drive investment towards rural low-income communities, the OBBBA created additional QOZ benefits specifically for eligible "rural areas." Investors in QOFs with at least 90 percent of their assets located in rural QOZs receive an increased basis step-up (30 percent rather than 10 percent) for investments held for at least five years. Property located within a rural QOZ also benefits from a reduced substantial improvement threshold (50 percent rather than 100 percent) in order to be treated as QOZB property.

**Observation:** 8,334 of the 25,332 census tracts eligible for designation as QOZs satisfy the requirements to be considered "rural areas," as defined in the OBBBA and Notice 2025-50. Of the 3,309 existing QOZs identified as rural areas in Notice 2025-50, 100 were contiguous tracts at the time of designation. While some of these contiguous tracts may now themselves be low-income communities eligible for re-designation as QOZs under the new rules, many rural QOZs are not expected to be eligible for re-designation based on an initial analysis of the appendix.

## See also

PwC Insight: [Enhanced and permanent Opportunity Zones as part of the One Big Beautiful Bill Act \(July 18, 2025\)](#)

PwC Insight: [IRS clarifies rural area designation for existing Opportunity Zone tracts \(October 9, 2025\)](#)

## Let's talk

For a deeper discussion on how QOZs may affect your business, please contact:

### Washington National Tax Services

**Steven Kennedy**

+1 (617) 840-9980

[steven.m.kennedy@pwc.com](mailto:steven.m.kennedy@pwc.com)

**James Montague**

+1 (631) 599-6683

[james.d.montague@pwc.com](mailto:james.d.montague@pwc.com)

**Colin Campbell**

+1 203-940-5499

[colin.campbell@pwc.com](mailto:colin.campbell@pwc.com)

© 2026 PwC. All rights reserved. PwC refers to the US member firm or one of its subsidiaries or affiliates, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

This content is for general information purposes only and should not be used as a substitute for consultation with professional advisors.

Solicitation