

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.601: Rules and regulations.
(Also Part 1, §§ 1400Z-1, 1400Z-2.)

Rev. Proc. 2026-14

SECTION 1. PURPOSE

This revenue procedure provides guidance to the Chief Executive Officer (CEO) of any State, of any territory of the United States, and of the District of Columbia regarding the procedure for nominating population census tracts to be designated as qualified opportunity zones (QOZs) effective on January 1, 2027, for purposes of §§ 1400Z-1 and 1400Z-2 of the Internal Revenue Code (Code)¹, as amended by § 70421 of Public Law 119-21, 139 Stat. 72, 223 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA).

¹ Unless otherwise specified, all “section” or “§” references are to sections of the Code.

SECTION 2. BACKGROUND

.01 Sections 1400Z-1 and 1400Z-2, in general.

(1) Section 1400Z-1. For purposes of §§ 1400Z-1 and 1400Z-2, § 1400Z-1(a) defines a QOZ as any population census tract that is a low-income community (LIC), as defined in § 1400Z-1(c)(1), that is designated as a QOZ. See section 2.02 of this revenue procedure for a description of the process prescribed by § 1400Z-1 for the designation of population census tracts that are LICs as QOZs.

(2) Section 1400Z-2. Section 1400Z-2 allows the temporary deferral of inclusion in gross income for certain realized gains to the extent that corresponding amounts are timely invested in a corporation or partnership that meets the requirements to be certified as a qualified opportunity fund (QOF). In addition, if certain qualifications and holding period requirements are met, a taxpayer may be able to exclude a portion of such deferred gains from gross income and may also be able to exclude gain attributable to the taxpayer's investment in a QOF from gross income.

(3) References to §§ 1400Z-1 and 1400Z-2. All references in this revenue procedure to "prior § 1400Z-1" and "prior § 1400Z-2" refer to §§ 1400Z-1 and 1400Z-2, as in effect after amendment of the Code by both § 13823 of Public Law 115-97, 131 Stat. 2054, 2183 (December 22, 2017), commonly known as the Tax Cuts and Jobs Act (TCJA), and by § 41115 of the Bipartisan Budget Act of 2018 (BBA 2018), Public Law 115-123, 132 Stat. 64, 161 (February 9, 2018), but prior to amendment by § 70421 of the OBBBA. All references in this revenue procedure to "§ 1400Z-1" and "§ 1400Z-2" refer to §§ 1400Z-1 and 1400Z-2 as amended by § 70421 of the OBBBA.

(4) Definitions. This section 2.01(4) defines terms used in this revenue procedure.

(a) Qualified opportunity fund and qualified rural opportunity fund.

(i) Qualified opportunity fund. Section 1400Z-2(d)(1) provides that a QOF is an investment vehicle that is organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property (QOZP), other than another QOF, and that holds at least 90 percent of its assets in QOZP as measured on the dates described in §1400Z-2(d)(1)(A) and (B). Pursuant to § 1400Z-2(d)(2)(A), QOZP means property that is qualified opportunity zone stock (QOZ stock), qualified opportunity zone partnership interest (QOZ partnership interest), or qualified opportunity zone business property (QOZBP).

(ii) Qualified rural opportunity fund. Section 1400Z-2(b)(2)(C)(i) defines the term “qualified rural opportunity fund” (QROF)² as a QOF that holds at least 90 percent of its assets in QOZP that is—

(A) QOZBP substantially all of the use of which, during substantially all of the QOF’s holding period for such property, was in a QOZ comprised entirely of a rural area, or

(B) QOZ stock, or a QOZ partnership interest, in a qualified opportunity zone business in which substantially all of the tangible property owned or leased is QOZBP and substantially all the use of which is in a QOZ comprised entirely of a rural area.

(iii) Rural area. Section 1400Z-2(b)(2)(C)(ii) defines the term “rural area” as any area other than (1) a city or town that has a population of greater than 50,000 inhabitants and (2) any urbanized area contiguous and adjacent to a city or town that has a population of greater than 50,000 inhabitants. See Notice 2025-50, 2025-43

² Section 70421(c)(2) of the OBBBA added § 1400Z-2(b)(2)(C)(i) to the Code, effective for amounts invested in QOFs after December 31, 2026. See section 70421(c)(5)(A) of the OBBBA.

I.R.B. 542 for more information on the definition of rural area.

(b) Qualified opportunity zone business property. Prior § 1400Z-2(d)(2)(D) defined QOZBP as tangible property used in a trade or business of the QOF if such property was acquired by the QOF by purchase after December 31, 2017, the original use of such property in the QOZ commences with the QOF or the QOF substantially improves the property, and during substantially all of the QOF's holding period for such property, substantially all of the use of such property was in a QOZ. Applicable to property acquired after December 31, 2026, § 70421(c)(4)(A) of the OBBBA amended prior § 1400Z-2(d)(2)(D)(i)(I) by striking "December 31, 2017" at the end of the subclause and inserting "the applicable start date (as defined in § 1400Z-1(e)(2)) with respect to the [QOZ] described in" § 1400Z-2(d)(2)(D)(i)(III). See section 2.02(6) of this revenue procedure regarding the applicable start date under § 1400Z-1(e)(2).

.02 Designations of QOZs under § 1400Z-1.

(1) In general. Section 1400Z-1(b)(1)(A) allows the CEO of each State³ to nominate LICs to be designated as QOZs. If a State CEO nominates a population census tract to be designated as a QOZ, section 1400Z-1(b)(1)(B) authorizes the Secretary of the Treasury or the Secretary's delegate (Secretary) to certify the nomination and designate such population census tract as a QOZ. However, § 1400Z-1(d) limits the number of population census tracts in a State that the Secretary may designate as QOZs under § 1400Z-1 with respect to any designation period.

(2) QOZ designations under prior § 1400Z-1.

(a) In general. Under prior § 1400Z-1(c)(1), a population census tract was

³ For purposes of § 1400Z-1 and this revenue procedure, the term "State" means any State, any territory of the United States, and the District of Columbia. See §§ 1400Z-1(c)(3) and 7701(a)(10).

eligible for designation as a QOZ if it satisfied the definition of LIC in § 45D(e). In addition, prior § 1400Z-1(e) provided that a population census tract that was not an LIC could be designated as a QOZ if, among other requirements, the tract was contiguous with an LIC that was designated as a QOZ (contiguous tract). See Rev. Proc. 2018-16, 2018-9 I.R.B. 383, which provided guidance on the nomination, certification, and designation process under prior § 1400Z-1(b)(1) and (2).

(b) Special rule for Puerto Rico. After the enactment of the TCJA, § 41115 of BBA 2018 added prior § 1400Z-1(b)(3) to the Code, under which all LICs in Puerto Rico were deemed certified and designated as QOZs effective on the date of the enactment of the TCJA, which was December 22, 2017.

(c) Period for which designation is in effect. Prior § 1400Z-1(f) provided a 10-year period for which a population census tract, once designated as a QOZ, would remain designated, beginning on the date of the designation and ending at the close of the 10th calendar year beginning on or after such date of designation. The 10-year period under prior § 1400Z-1(f) ends on—

(i) December 31, 2028, for QOZs nominated and designated pursuant to Rev. Proc. 2018-16, and

(ii) December 31, 2027, for QOZs certified and designated in Puerto Rico under BBA 2018.

(d) Notices 2018-48 and 2019-42. Notice 2018-48, 2018-28 I.R.B. 9, amplified by Notice 2019-42, 2019-29 I.R.B. 352, lists LICs that were nominated pursuant to Rev. Proc. 2018-16 and certified and designated as QOZs by the Secretary in 2018, as well as LICs deemed certified and designated as QOZs under prior § 1400Z-1(b)(3) effective

on December 22, 2017. Notice 2019-42, 2019-29 I.R.B. 352, added two additional census tracts in Puerto Rico that were deemed certified and designated as QOZs under prior § 1400Z-1(b)(3) effective on December 22, 2017.

(3) QOZ designations under the OBBBA.

(a) Definition of LIC. Section 70421(b)(1) of the OBBBA amended prior § 1400Z-1(c)(1) to provide a narrower definition of an LIC. Rather than defining an LIC through a cross-reference to the definition of LIC under § 45D(e) as prior § 1400Z-1 had, § 1400Z-1(c)(1)(A) and (B) define the term LIC by reference to the median family income of a population census tract and, in certain cases, the poverty rate of the tract.

(i) In the case of a population census tract not located within a metropolitan area, § 1400Z-1(c)(1) provides that such a population census tract is an LIC if it has either (I) a median family income that does not exceed 70 percent of the statewide median family income or (II) a poverty rate of at least 20 percent and a median family income that does not exceed 125 percent of the statewide median family income.

(ii) In the case of a population census tract located within a metropolitan area, § 1400Z-1(c)(1) provides that such a population census tract is an LIC if it has either (I) a median family income that does not exceed 70 percent of the metropolitan area median family income or (II) a poverty rate of at least 20 percent and a median family income that does not exceed 125 percent of the metropolitan area median family income.

(b) Contiguous tracts. Applicable to areas designated under § 1400Z-1 after July 4, 2025 (the date of enactment of the OBBBA), § 70421(b)(2) of the OBBBA removed prior § 1400Z-1(e) related to contiguous tracts. Thus, any population census tract that

is nominated for designation as a QOZ after July 4, 2025, can be designated as a QOZ only if the tract qualifies as an LIC without regard to any other population census tract.

(c) Number of designations. Section 70421(a)(4) of the OBBBA amended prior § 1400Z-1(d) to apply the limitation on the number of designations of QOZs to each QOZ designation period. Section 1400Z-1(d)(1) provides that the number of population census tracts in a State that may be designated as QOZs may not exceed, during any QOZ designation period, 25 percent of the number of LICs in the State (25-percent limitation). If the number of LICs in a State is not evenly divisible by 4, the 25-percent limitation is determined by rounding the fractional quotient up to the next whole number. For example, if a State contains 197 LICs, the maximum number of designations is 50, even though 25 percent of 197 is 49.25. Section 1400Z-1(d)(2) further provides that, notwithstanding the 25-percent limitation, if a State contains fewer than 100 LICs for a designation period, then a total of 25 LIC tracts may be designated. For example, a State with 24 LICs may nominate all of those 24 LICs.

(d) Designation of LICs in Puerto Rico. Section 70421(a)(3) of the OBBBA removed the special rule for Puerto Rico under prior § 1400Z-1(b)(3), which, as previously described in section 2.02(2)(b) of this revenue procedure, had deemed all LICs in Puerto Rico to be certified and designated as QOZs. Following the enactment of § 70421(a)(3) of the OBBBA, which becomes effective on December 31, 2026, the Governor of Puerto Rico may nominate LICs in Puerto Rico for designation as QOZs in accordance with § 1400Z-1, subject to the 25-percent limitation under § 1400Z-1(d). Therefore, beginning on July 1, 2026 (the next decennial determination date as provided in § 1400Z-1(c)(2)(C)), the Governor of Puerto Rico will be able to nominate up

to 25 percent of the LICs in Puerto Rico using the procedures set forth in section 5 of this revenue procedure. Existing QOZs in Puerto Rico remain designated until the expiration of their 10-year designation period on December 31, 2027.

(e) Determination period and extension. Pursuant to § 1400Z-1(b)(1)(A), the CEO of the State in which an LIC is located may nominate the tract to be designated as a QOZ, and any such nomination must be made no later than the end of the determination period. Section 1400Z-1(c)(2)(B) and (c)(2)(C)(i) provides that the term “determination period” means the 90-day period beginning on the decennial determination date (including any extension), the first decennial determination date being July 1, 2026. The Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) anticipate that States will benefit from as much discretion and consistent administration of the QOZ nomination process as is permitted under § 1400Z-1. Consistent with this view, notifications of a State CEO’s nominations under § 1400Z-1(b)(1)(A)(ii) that are submitted prior to the conclusion of the 90-day period provided under § 1400Z-1(c)(2)(B) will be considered received by the Secretary not earlier than the conclusion of that 90-day period. This will enable State CEOs to make multiple submissions of nominations of eligible population census tracts rather than submitting all nominations at once. It will also enable State CEOs to modify previously submitted nominations as long as the modifications are received by the end of the 90-day period. In addition, under § 1400Z-1(b)(2), the State CEO may request, and receive, a 30-day extension of this deadline, which would conclude, at the latest, on October 28, 2026.

(f) Consideration period and extension. Under § 1400Z-1(c)(2)(A), not later than

the end of a 30-day “consideration period” beginning on the date that the Secretary receives notice of a nomination, the Secretary may certify the nomination and designate the nominated tract as a QOZ. As previously described, section 2.02(e) of this revenue procedure provides a determination period that ends on October 28, 2026, if an extension is requested by a State CEO. Thus, with respect to a population census tract nominated by a State CEO during the determination period, the 30-day consideration period for the Secretary to certify and designate the nominated population census tract under § 1400Z-1(c)(2)(A) would conclude on November 27, 2026, at the latest. Under § 1400Z-1(b)(2), however, the State CEO may request, and receive, a 30-day extension of this deadline, which would extend it to December 28, 2026, at the latest.

(g) Applicable start date and effective period. Section 70421(b)(2) of the OBBBA redesignated prior § 1400Z-1(f) as § 1400Z-1(e) and section 70421(b)(3) of the OBBBA amended the period for which a QOZ designation begins and ends. Under § 1400Z-1(e)(1), a designation as a QOZ remains in effect for the period beginning on the applicable start date and ending on the day before the date that is 10 years after the applicable start date (QOZ designation period). Under § 1400Z-1(e)(2), the term “applicable start date” means, with respect to any LIC certified and designated as a QOZ, the January 1 following the date on which such QOZ was certified and designated. Therefore, for any LIC certified and designated by the Secretary as a QOZ pursuant to this revenue procedure (2027 QOZ), the QOZ designation period begins on January 1, 2027, and ends on December 31, 2036.

SECTION 3. IDENTITY OF LICs FOR DESIGNATION AS 2027 QOZs

.01 Number of LICs eligible for designation as 2027 QOZs.

(1) In general. 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 (Census Bureau), which are public, online resources, the Treasury Department and the IRS have identified 25,332 population census tracts that are LICs eligible for nomination as a 2027 QOZ. Of those population census tracts, 8,334 tracts are comprised entirely of a rural area. A list of population census tracts eligible for nomination as a 2027 QOZ, including those comprised entirely of a rural area, is provided in the Appendix to this revenue procedure. The 2020-2024 ACS 5-Year and 2020 DECIA data sets are the data sets used to determine the eligible population census tracts that are LICs eligible for nomination as 2027 QOZs contained in the Appendix to this revenue procedure because they provide the most accurate, up-to-date, and consistent data necessary to provide the State CEOs with a list of eligible LICs that may be relied upon to nominate as 2027 QOZs. The 2020-2024 ACS 5-Year data set is the primary data set and the 2020 DECIA data set is only used for the territories of American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands for which ACS data is not available. The 25-percent limitation for a State is determined based on the 2020-2024 ACS 5-year and 2020 DECIA data sets.

(2) Areas within the boundaries of QOZs listed in Notice 2018-48 and Notice 2019-42 that are eligible for nomination as a 2027 QOZ. A population census tract that contains all or part of the geographic area of a QOZ listed in Notice 2018-48 and Notice 2019-42 is eligible to be nominated as a 2027 QOZ only if the population census tract is an LIC under § 1400Z-1(c)(1) and without regard to whether all or part of the geographic

area was designated as a QOZ under prior § 1.1400Z-1.

(3) Boundaries of eligible population census tracts to be designated as 2027 QOZ.

The 2020-2024 ACS 5-Year and 2020 DECIA data used in determining eligible population census tracts is collected from the geographic areas based on the population census tract numbers and boundaries established for the 2020 decennial census.

Because these data are used to establish boundaries for eligible population census tracts that are designated as 2027 QOZs, such boundaries are controlling and not subject to change during the 2027 QOZ designation period.

.02 Information Resource. The list of population census tracts eligible for nomination as a 2027 QOZ provided in the Appendix to this revenue procedure will also be included in a public, online resource (Information Resource). The Information Resource will include detailed mapping that makes it possible to see the exact location of every tract listed in the Appendix to this revenue procedure and to view a variety of demographic information for each eligible tract, including whether a tract is comprised entirely of a rural area.

SECTION 4. SCOPE

This revenue procedure applies to nominations of population census tracts by a State CEO to be certified and designated by the Secretary as 2027 QOZs.

SECTION 5. PROCEDURE

.01 The Treasury Department is developing a nomination tool, which will be accessible online and available for the benefit of State CEOs that are making nominations of census tracts for designation as 2027 QOZs (Nomination Tool).

.02 Further information on the nomination process under § 1400Z-1, including how to

access the online Nomination Tool, will be sent individually to each of the State CEOs.

.03 State CEOs are permitted to nominate a population census tract within their State to be certified and designated as a QOZ for the QOZ designation period beginning January 1, 2027, and ending on December 31, 2036, and may make or modify such a nomination during the determination period (including extensions). Any request to modify such a nomination after October 28, 2026, will be denied. Instructions on how to make and modify nominations will be included with the information sent to each of the State CEOs.

.04 Data set limitations. While the Appendix to this revenue procedure and the Information Resource provide a list of population census tracts that are eligible for nomination as a QOZ, there may be population census tracts that could be eligible for nomination as a QOZ that do not appear on this list. The Secretary will consider a State CEO's nomination of a population census tract not listed in the Appendix or Information Resource to the extent that the nomination is accompanied by a detailed analysis, including current data collected at the census tract level, demonstrating the nominated population census tract satisfies the requirements under § 1400Z-1(c)(1).

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective on April 6, 2026.

SECTION 7. ADDITIONAL INFORMATION

For further information, contact OpportunityZone@cdfi.treas.gov.

APPENDIX

<https://www.irs.gov/pub/irs-drop/rp-26-14-appendix.xlsx>