

# What are Opportunity Zones?

The federal Opportunity Zone program provides opportunities for private investors to channel long-term capital into communities that have the potential for growth but struggle to access traditional financing. Investors who reinvest their capital gains to finance businesses, housing, or infrastructure within designated Opportunity Zones (OZs) can reduce and defer capital gains taxes and eliminate taxes on new appreciation if they hold the investment long enough.

## Opportunity Zone investments can help:

- Promote economic vitality in lower-income parts of the State
- Encourage the development of workforce housing in areas with escalating prices and inventory shortages
- Fund new infrastructure to support growth
- Support small businesses directly or indirectly

The Opportunity Zones program was created as part of the 2017 federal Tax Cuts and Jobs Act. In July 2025, the federal H.R.1 was signed into law, making the Opportunity Zones program permanent and updating aspects of the program.

## Investor Tax Benefits:

	OZ 1.0 (expires Dec 2028)	OZ 2.0 (begins Jan 2027)
Tax Deferral	Reinvested capital gains are deferred from taxation until Dec 31, 2026	Investors can defer paying federal taxes on capital gains reinvested in a QOF until 5 years after the date of investment
Reduction of Capital Gains Tax	Benefit expired in 2021	Investors receive a step up in basis for QOF investments held for 5 years: <ul style="list-style-type: none"> <li>• 10% for standard QOF</li> <li>• 30% for rural QOF</li> </ul>
Elimination of Capital Gains Tax	If a Qualified Opportunity Fund (QOF) investment is held for 10 years or more, no gains are taxed on appreciation from QOF investments upon a sale	

## Key Terms

**Opportunity Zones (OZs):** Low-income census tracts, nominated by governors and certified by the U.S. Department of the Treasury.

**Qualified Opportunity Fund (QOF):** A private investment vehicle organized as a corporation or partnership with the specific purpose of investing in Opportunity Zone businesses or properties.

**Qualified Opportunity Zone Business (QOZB):** An active trade or business located in an OZ that meets strict IRS requirements.



[IRS Opportunity Zones FAQ](#)



[Colorado Opportunity Zone Program](#)

# OZ 2.0 in Colorado

In the federal OZ program, the US Treasury sets guidance and identifies census tracts eligible for designation as Opportunity Zones. Each state governor may then only nominate up to 25% of the eligible census tracts to be Opportunity Zones. This redesignation process will happen every 10 years, starting in 2026.

## *OZ 2.0 Designation Timeline*

**April 6, 2026:** US Treasury and IRS released the lists of eligible census tracts and OZ guidance

**April - June 2026:**

- **May:** OEDIT makes public:
  - Input form on where to designate zones
  - Data index showing how eligible tracts score on a variety of indicators
  - GIS map providing a visual of eligible tracts and a subset of indicators
- **May - June:** OEDIT will offer webinars - live and recorded - explaining the tools described above and how best to utilize them.

Ongoing: OEDIT will meet with interested economic developers, local governments, businesses, and other community leaders to gather feedback on eligible tracts.

**Starting July 1, 2026:** 90-day designation period opens for Colorado OZ 2.0 designations due to the US Treasury

**January 1, 2027:** New OZs are live for investment

## *Colorado Strategic Priorities for OZ 2.0 Designation:*

### Tier 1 Priorities:

- **Local Priorities & Opportunities:** Presence of or potential for priority projects or developments
- **Market Rate Housing:** Areas with a demonstrated need for more market-rate housing, and the capacity to facilitate housing development

### Tier 2 Priorities:

- **Geographic Diversity:** Eligible tracts from all parts of Colorado, with an outsized portion of rural zones
- **Latent Potential for Investment:** Eligible tracts in urban areas where there is the potential to support catalytic investments

### Tier 3 Priorities:

- **Balance of Need & Opportunity**
- **Contiguous Rural Tracts**
- **Alignment with Key Innovation Hubs**
- **Tier One Coal Transition Communities**