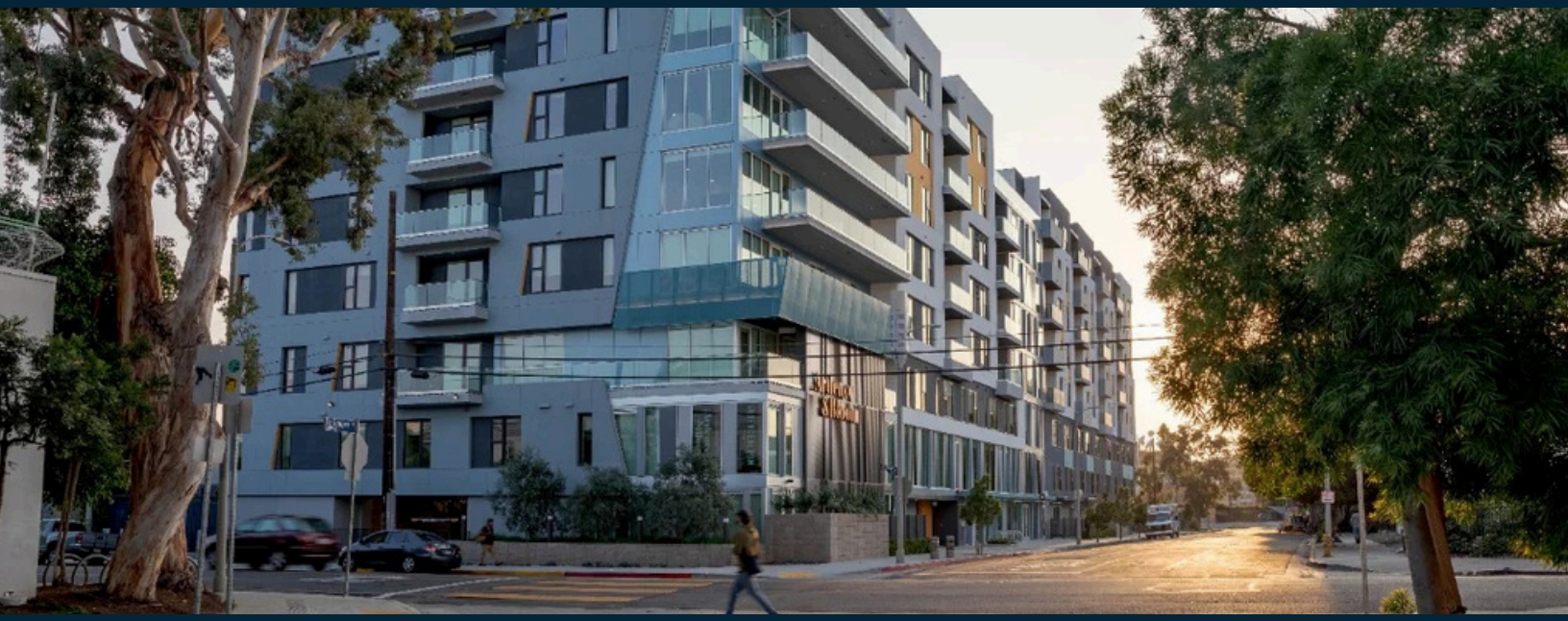
QOZ BRIEF | NOVEMBER 5, 2026

VIRTÚ INVESTMENTS

Reading Opportunity Zones 2.0

What the rules say, which dates matter, and what Treasury has yet to rule on



Opportunity Zones 2.0 begins on January 1, 2027, and unlike the first round, it has no expiration date. Under the One Big Beautiful Bill Act (OBBBA, which Treasury now calls the Working Families Tax Cuts), enacted on July 4, 2025, **the incentive is permanent**, with new zone maps every ten years and a deferral that runs five years from the date of each investment rather than ending on a fixed date.

A permanent program removes the deadline pressure that shaped OZ 1.0. Each gain can be matched to its own window, and a sponsor can be chosen on the merits of the real estate. This brief is a reading of the program as it stands on November 5, 2026, the day Treasury designated the OZ 2.0 zones.

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The rules

The economics are set by statute. For qualifying investments made after December 31, 2026, the program trades a fixed calendar for a rolling one: every investment gets its own five-year deferral clock.

FEATURE	OZ 1.0 (2018 TO 2026)	OZ 2.0 (FROM JANUARY 1, 2027)	WHY IT MATTERS
Program life	Sunset; deferred gains recognized December 31, 2026	Permanent, with new zone maps every ten years	Available year after year
Deferral	Fixed end date for all investors	Earlier of disposition or five years after the investment	Each gain event can be matched to its own vintage
Basis increase at five years	10% (plus 5% at seven years, now unavailable)	10% generally; 30% in a qualified rural opportunity fund (QROF)	Rural carries a much larger subsidy on the deferred gain
Ten-year exclusion	Appreciation excluded after ten years	Still available after ten years	Long-term appreciation remains the main benefit
Outside date	Exclusion election available through December 31, 2047	Excluded value capped at fair market value at year 30	Exit and valuation planning now has a hard horizon
Rural improvement test	100% of basis	50% of basis for wholly rural zones (effective July 4, 2025)	Rehabilitating existing buildings becomes more feasible
Tract eligibility	80% of area median family income, or 20% poverty; contiguous tracts allowed	70% of median family income, or 20% poverty with income no higher than 125% of median; contiguous route removed	A more targeted map with fewer obvious institutional tracts
Nomination cap	25% of a state's low-income tracts	25%, unchanged	Roughly one in four eligible tracts nationally
Reporting	Light, Form 8996 based	New statutory reporting and penalties for qualified opportunity funds (QOFs) and zone businesses	Compliance must be built into systems from day one

> The eligible universe was 25,332 tracts per Rev. Proc. 2026-14, 8,334 of them rural, plus 130 that Treasury added during the window, 28 of them rural. On November 5, 2026, Treasury designated 6,576 tracts, 2,594 of them rural: about 26% of the eligible universe, with 39% of the designations rural.

The calendar

Governors nominated tracts between July 1 and September 28, 2026, with a 30-day extension to October 28 that Treasury applied automatically unless a state opted out. On November 5, 2026, Treasury and the IRS designated 6,576 tracts, 2,594 of them rural, effective January 1, 2027 for ten years. Every state nominated its statutory maximum, and Treasury describes the list as final. The official tract list and map are on the CDFI Fund site; the CDFI Fund will not confirm an individual site's status, so each tract has to be checked against the list.

Guidance issued to date

DATE	ITEM	WHAT IT DID
November 5, 2026	Treasury and IRS designation announcement; CDFI Fund tract list and map	Designated 6,576 QOZs (2,594 rural), effective January 1, 2027 through 2036; Treasury calls the list final
September 11, 2026	Proposed regulations REG-116506-25, Information Reporting Regarding Qualified Opportunity Zones, Federal Register (document 2026-18574)	Annual fund information returns, zone business attestations, investor disposition reporting, daily penalties. Comment period closed October 26, 2026; public hearing held November 5, 2026.
June 18, 2026	Notice 2026-40	Transition rules for OZ 1.0 funds and investors; announced intent to propose substantive regulations
April 6, 2026	Rev. Proc. 2026-14	Nomination process and the list of eligible tracts: 25,332, including 8,334 rural
July 4, 2025	OBBBA (P.L. 119-21)	Made the program permanent and set the OZ 2.0 economics

Transition points

Gains realized after July 5, 2026, can be held and invested once OZ 2.0 opens, using the 180-day window; gains passed through from partnerships can have different windows. Novogradac expected fundraising to slow in the second half of 2026 for this reason.

OZ 1.0 deferred gains are recognized on December 31, 2026, with tax due in April 2027. Notice 2026-40 confirms that this gain cannot itself be reinvested as a new qualifying OZ 2.0 investment. Gain from an inclusion event before that date, such as a sale of the fund interest, can be reinvested, with its own 180-day window.

Under Notice 2026-40, OZ 1.0 businesses can still add property after 2026 if a written working capital plan was adopted by December 31, 2026, with at least 10% of the planned capital received and 5% spent or under binding contract by that date.

Original 2018 zones generally remain designated through December 31, 2028; Puerto Rico's expire December 31, 2027.

The open questions

The map is now designated. The biggest remaining unknown is the substantive regulations. The economics are fixed by statute; the regulations will determine how deals are structured.

OPEN QUESTION	WHY IT MATTERS	WHEN WE MAY KNOW
Which tracts are designated (resolved)	Treasury designated 6,576 tracts on November 5, 2026. The question now is which of them hold investable housing sites.	Resolved; official list on the CDFI Fund site
Substantive proposed regulations	Notice 2026-40 promised them but gave no date; they will govern the 30-year valuation, QROF mechanics, and other new provisions	Not announced
How the year-30 value is measured	Determines the excluded amount for long holds and how funds plan exits	Proposed regulations
Final reporting rules and effective date	Penalties can accrue daily; fund documents need information covenants before launch	Final regulations after the October 26 comment close and the November 5 hearing
QROF operating detail	How the 90% rural test is measured and what happens if a fund falls below it	Proposed regulations
Rural status of late-added tracts	Treasury says 130 tracts were added during the window, 28 of them rural; whether those rural flags carry the QROF benefits is not stated	Proposed regulations or further Treasury guidance
Recapitalizations of OZ 1.0 projects	Whether new OZ 2.0 equity can cleanly fund a legacy project, and how tranche holding periods interact	Proposed regulations and practitioner consensus
The "working capital plan" standard	What "substantially consistent" means for OZ 1.0 projects adding property after 2026	Proposed regulations

> One question is outside Treasury's control: how much pent-up gain is waiting. Funds tracked by Novogradac raised $2.67 billion in 2025, and the fourth quarter was the second-lowest quarterly total since tracking began in 2019. Novogradac expects investment to stay slow through 2026 and to rise sharply in early 2027. How fast that capital returns in 2027 is unknown.

What this means now

Because the program is permanent, investors can be selective about both the gain and the deal. The points below follow from that.

The real estate has to work first. The tax benefit attaches to the gain, and the gain still depends on the property. A zone designation does not make a building investable; jobs, income, rents, population, and supply do. The designation itself also has to be verified: the CDFI Fund will not confirm a site's status, so each tract should be checked against the official list.

Now that the map is out, capital is chasing the most obvious tracts, and sellers will capture part of the tax benefit through higher land and project prices, so early pricing pressure is likely.

With a rolling five-year deferral, each gain can be paired with its own investment. Investors with gains realized after July 5, 2026, including gains passed through from partnerships, which can carry a different 180-day window, should confirm their windows with their own tax advisor.

Investments through a qualified rural opportunity fund carry a 30% step-up. Rural markets also carry thin comparables, limited exit buyers, and operating volatility, and they deserve their own underwriting.

Do not underwrite on a refinance. OZ 1.0 projects financed on 2021 assumptions are now facing refinancing gaps. A long-duration investment should not depend on a favorable debt market at a fixed future date.

Ask about reporting readiness. The proposed rules require tract-level data, attestations, and investor reporting, with penalties that can accrue daily. A sponsor should be able to show how it will meet them.

None of this is a recommendation. Investors should work with their own tax and legal advisors on timing and eligibility. State treatment varies. Several states, including California and New York, do not conform to the federal rules, so the state result can differ from the federal one, and investors should confirm their own state's treatment with their tax advisor.

What we're watching

Tract selection.
Of the 6,576 designated tracts, fewer will combine eligibility with institutional investability than in 2018, which makes tract-level selection more important.

Recapitalizing OZ 1.0 projects.
Many 2020 to 2023 projects are sound real estate with strained capital structures. Patient equity may have a role in projects where the building performs and the 2021 financing does not.

Rural zones.
The 30% step-up is large enough that we may evaluate rural zones, with a separate screen for markets with thin comparables and few exit buyers.

Capital structure.
We believe long-duration investments should never depend on a favorable refinancing market to succeed.

What comes next

More will follow as Treasury issues new guidance.

Questions are welcome. Contact David Henry at dhenry@virtuinvestments.com.

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