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OBBBA Makes OZ Incentive Permanent, With Some Significant Changes.

When President Donald Trump signed the One Big Beautiful Bill Act (OBBBA) into law July 4, it included permanence and modernization of the opportunity zones (OZ) incentive. While much of the OZ incentive is unchanged, there are key modifications.

Road to Permanence

The original OZ incentive was enacted in 2017 as part of the Tax Cuts and Jobs Act (TCJA) and was scheduled to sunset for capital gains realized after Dec. 31, 2026. Many other provisions of the TCJA were scheduled to expire at the end of 2025, so it was widely expected that major tax legislation would be introduced to address the expiring business and individual tax provisions.

OZ Working Group Recommendations

In anticipation of this expected legislative activity, the Novogradac Opportunity Zones Working Group (OZWG) began work in 2022 to compile an in-depth list of recommendations to enhance and modernize the OZ incentive. These consensus recommendations were shared with numerous OZ stakeholders, the Trump administration's transition team, the Senate Finance Committee and key members of the Senate and House, including Sen. Tim Scott, R-South Carolina. The OZ incentive was originally introduced in the Senate by Sen. Scott, who has consistently been the biggest proponent of the incentive and spearheaded the inclusion of the OZ 2.0 in the OBBBA. We were pleased to learn that several of the OZWG's key recommendations were ultimately included in the OBBBA.

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