



FACT SHEET | Center for Opportunity Now and Center for American Prosperity

# OPPORTUNITY ZONES ARE REVITALIZING FORGOTTEN COMMUNITIES

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- In 2017, President Donald J. Trump signed the Tax Cuts and Jobs Act into law, which [designated](#) 8,764 economically distressed communities across the country as Opportunity Zones (OZs).
- In OZs, investors can establish [Qualified Opportunity Funds](#) to invest in local projects and businesses.
- Americans with realized capital gains who reinvest those gains in an OZ receive favorable tax treatment on the original gains *and* any new gains from the OZ investment.
- The tax incentives created by OZs [consist of the following](#):
  - Deferral of capital gains tax on the original realized gain invested in a qualified business in an OZ community.
  - If the investor keeps the funds in the OZ business for 5 years, 10% of the original capital gains are excluded from taxation, rising to 15% excluded after 7 years.
  - If the investor keeps their money in a qualified fund in an OZ for 10 years, they only pay the reduced tax on their original gain and ZERO capital gains tax on any gains from the OZ investment itself.
- This favorable tax treatment increases the appeal of investments in OZ communities, causing investors to finance projects that previously would have been overlooked in communities that have historically seen low investment.
- Here are some of the documented successes of OZs to date:
  - OZs now account for [20% of all market-rate apartment units](#) being developed nationally, compared to only 8% before the legislation passed.
  - In OZs, home values [increased by 3.4%](#) with no observable increase in rent.
  - Housing unit growth [accelerated](#) in OZs relative to other communities with similar characteristics—low-income, impoverished, racially diverse—that were not designated as OZs.
  - OZ investments [raised employment growth](#) by 3 to 4.5 percentage points relative to comparable communities not designated as OZs.
  - In less than 5 years from the passage of OZs, \$84 billion in direct equity has been invested in 3,800 OZs, bringing money to lower-income and diverse areas.
    - Average income: \$37,300 median in OZs vs. \$61,700 nationally
    - Poverty rate: 29% in OZs vs. 16% nationally
    - Racial diversity: 26% Black and 23% Hispanic in OZs vs. 13% Black and 16% Hispanic

