Department of the Treasury
Office of Tax Analysis

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Eligibility Criteria for Determining Census Tracts Eligible to be Nominated as 2027 Qualified Opportunity Zones under § 70421 of the One, Big, Beautiful Bill Act

Taxpayers who invest in certain low-income census tracts that have been designated as Qualified Opportunity Zones (QOZs) are eligible to receive certain tax benefits. Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), amended §§ 1400Z-1 and 1400Z-2 of the Internal Revenue Code (Code) to modify the Opportunity Zone tax incentive. Eligible low-income census tracts that are nominated by the chief executive officers (CEOs) of the States, U.S. territories, and the District of Columbia[1] and certified and designated by the Secretary of the Treasury (Secretary) in 2026 will be effective for 10 years beginning on January 1, 2027 (2027 QOZs).

By statute, a population census tract is deemed eligible to be nominated as a QOZ if it is a low-income community (LIC). Section 1400Z-1(c)(1) defines an LIC as a population census tract that has a median family income (MFI) not exceeding 70 percent of the areawide MFI or that has a poverty rate of at least 20 percent combined with an MFI that does not exceed 125 percent of the areawide MFI. *See* Rev. Proc. 2026-14 for more information.[2]

A. Determining MFI

MFI is determined using Table B19113 from the 2020-2024 American Community Survey (ACS) 5-year estimates for the 50 States, District of Columbia, and Puerto Rico, specifically calculated as MFI = B19113_001E. For census tracts in American Samoa, Guam, the Northern Mariana Islands, and U.S. Virgin Islands, the Department of the Treasury (Treasury) used Table PBG63 from the Demographic and Housing Characteristics File of the 2020 Island Areas Census, specifically calculated as MFI = PBG63_001N. State- and core-based statistical area (CBSA)[3]-level MFI are determined using the same variables from the same sources at the appropriate geographic levels.

B. Determining the poverty rate

The poverty rate is determined using Table S1701 from the 2020-2024 ACS 5-year estimates for the 50 States, District of Columbia, and Puerto Rico, specifically calculated as tract poverty rate = 100 * S1701_C02_001E / S1701_C01_001E. For tracts in American Samoa, Guam, the Northern Mariana Islands, and U.S. Virgin

[1] For purposes of this methodology, 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) of the Code.
[2] Rev. Proc. 2026-14: https://www.irs.gov/pub/irs-drop/rp-26-14.pdf
[3] According to the Census Bureau, CBSAs consist of the county or counties (or equivalent entities) associated with at least one core (urban area) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties.

Islands, Treasury used the Table PBG73 from the Demographic and Housing Characteristics File of the 2020 Island Areas Census, specifically calculated as tract poverty rate = 100 * PBG73_002N / PBG73_001N.

C. Determining applicable comparison area

For census tracts within a CBSA, the applicable comparison area is the CBSA. For census tracts outside of a CBSA, the applicable comparison area is the State.

D. Treatment of census tracts with missing values for the poverty rate or MFI
    a. For census tracts that have an MFI that is 70 percent of the areawide MFI or less, but no information on poverty rate, the census tract is assumed to be an eligible LIC.
    b. For census tracts that have a poverty rate at least 20 percent but no information for MFI, the tract is assumed to be an eligible LIC.
    c. For census tracts that do not have a poverty rate of at least 20 percent with missing MFI that have family income distribution data available in 2020-2024 ACS Table B19101, Treasury will sum the estimated number of families across the income bins from Table B19101 and identify the first income bin in which the cumulative distribution exceeds 50 percent of all families. The upper endpoint of that bin provides an upper bound for the tract's ACS-estimated MFI. Treasury will compare that upper bound with the relevant area MFI taken from the 2020-2024 ACS. If the upper bound does not exceed 70 percent of the relevant area MFI, then the ACS-estimated MFI must also not exceed 70 percent of the relevant area MFI. The tract therefore satisfies the MFI component of the low-income community test.
    d. For census tracts missing information on both MFI and poverty rate, and that either do not have family income distribution data in 2020-2024 ACS Table B19101 or have an MFI upper bound that exceeds 70 percent of the relevant area MFI, the census tract is deemed ineligible.

E. Treatment of census tracts with extraordinary temporary population displacement

In unusual circumstances, an extraordinary event occurring during the ACS measurement period, such as a presidentially declared major disaster, may displace a substantial and non-random share of a tract's residents from their usual or permanent residences for an extended period sufficient to affect the residence at which they are measured by the ACS (generally more than two months). Because

the ACS generally measures such individuals at the place where they are residing during the survey period, such displacement may result in those individuals not being represented as residents of the tract in the ACS estimate, even though they would ordinarily reside in the tract but for the extraordinary event.

Treasury will consider such tracts LICs if all the following conditions are met:

1. The tract met the relevant statutory criterion for LIC eligibility using the most recent ACS estimate based entirely on data collected before the substantial displacement event;

2. An identifiable extraordinary event caused substantial temporary displacement of residents from the tract during the relevant ACS period; and

3. Reliable, tract-level data demonstrate that the temporarily displaced residents differed systematically with respect to the relevant statutory characteristic—family income or poverty status—in a manner that would cause the latest ACS estimate to understate poverty or overstate MFI, as applicable.