



Department of the Treasury
Office of Tax Analysis

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Methodology for Determining Census
Tracts Eligible to be Nominated as 2027
Qualified Opportunity Zones Comprised
Entirely of a Rural Area 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 introduce additional tax benefits for investments in QOZs located in rural areas and provided for the designation of additional rounds of QOZs. Eligible low-income census tracts that are nominated by the chief executive officers (CEOs) of the States, U.S. territories, and the District of Columbia¹ 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).

Section 70421(c)(2) of the OBBBA codifies a definition of “rural area” in § 1400Z-2(b)(2)(C)(ii) applicable to amounts invested in qualified opportunity funds (QOFs) after December 31, 2026. Under this definition, a rural area is defined as “any area other than—

- (I) a city or town that has a population of greater than 50,000 inhabitants, and
- (II) any urbanized area contiguous and adjacent to a city or town described in subclause (I).”

This document describes the methodology that the Department of the Treasury (Treasury) used to identify which census tracts eligible to be nominated as 2027 QOZs in Revenue Procedure 2026-14 (eligible tracts),² are comprised entirely of a rural area (rural eligible tracts). A list of all eligible tracts along with their rural status is provided in Revenue Procedure 2026-14 and on the Office of Tax Policy Data Transparency page for Qualified Opportunity Zones.³ The methodology used to identify such eligible census tracts for 2027 QOZ designation is similar to the methodology used to identify QOZs with a rural status in Notice 2025-50, 2025-43 I.R.B. 542, except it was applied to tracts eligible for nomination for 2027 QOZ designation instead of tracts formerly designated as QOZs in 2018.⁴

Determining which of the eligible census tracts satisfy the “rural area” condition in OBBBA is a multi-step process due to the different geographic building blocks comprising these different categories. First, Treasury identifies the cities and towns that have a population of greater than 50,000 inhabitants. These cities and towns have their own geographic boundaries and are not defined on the basis of the census tract or census block. Second, Treasury identifies urbanized areas contiguous and adjacent to these cities or towns. Urban areas are defined on the basis of the census block. Third, Treasury determines the

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 <https://www.irs.gov/pub/irs-drop/rp-26-14-appendix.xlsx> and <https://home.treasury.gov/policy-issues/tax-policy/data-transparency/qualified-opportunity-zones>.

⁴ Notice 2025-50, available at <https://www.irs.gov/pub/irs-drop/n-25-50.pdf>.

eligible tracts that are fully outside the cities, towns, or urban areas to characterize the rural eligible tracts.

To determine which cities and towns have a population greater than 50,000 inhabitants, Treasury uses the Bureau of the Census's (Census Bureau) 2020 Decennial Census population of incorporated cities and towns for each State and U.S. territory other than the State of Hawaii and the Commonwealth of Puerto Rico.⁵ For Hawaii and Puerto Rico, which do not have separately incorporated cities and towns for Census Bureau data purposes,⁶ Treasury uses Census Designated Places (CDP) with a population greater than 50,000 inhabitants to represent a city or town.

An "urbanized area" means any Census Bureau-designated urban area.⁷ The Census Bureau defines urban areas at the census block level on a decennial basis.⁸ Using the urban area designations from the 2020 Decennial Census, Treasury deems an urban area contiguous and adjacent to a city or town with a population of at least 50,000 inhabitants, for purposes of Revenue Procedure 2026-14, if the urban area touches or overlaps the area of such a city or town at least at one point.

The Census Bureau designates urban areas around densely settled cores of census blocks that meet minimum population or housing density criteria, but the areas need not be one connected mass. Rather, the Census Bureau allows "hops" and "jumps" of non-urban blocks between deemed urban blocks, such that a single titled urban area around a densely settled core can have many nearby non-contiguous "islands."⁹ In determining its methodology for identifying rural eligible tracts, Treasury does not include any islands of a

⁵ Total population data were found in column P1_001N of the 2020 Demographic and Housing Characteristics table (and its associated tables for American Samoa, Guam, Northern Mariana Islands, and U.S. Virgin Islands) for all places within the United States available at <https://data.census.gov/>. Incorporated places and Census Designated Places are separately mapped using the National Sub-State Geography Geodatabase available at <https://www.census.gov/geographies/mapping-files/time-series/geo/tiger-geodatabase-file.2020.html>.

⁶ In Puerto Rico, for example, municipios are incorporated, but are regarded as county equivalents in Census Bureau data.

⁷ For the 2020 Decennial Census, the Census Bureau stopped distinguishing urban areas between those that are "urban clusters" and those that are "urbanized areas" as they had in previous decennial censuses. Instead, the 2020 Decennial Census designates only "urban areas." For further explanation, see Notice 2025-50.

⁸ A map of designated urban areas for 2020 can be found in the National Nation-Level Geography Geodatabase available at <https://www.census.gov/geographies/mapping-files/time-series/geo/tiger-geodatabase-file.2020.html>.

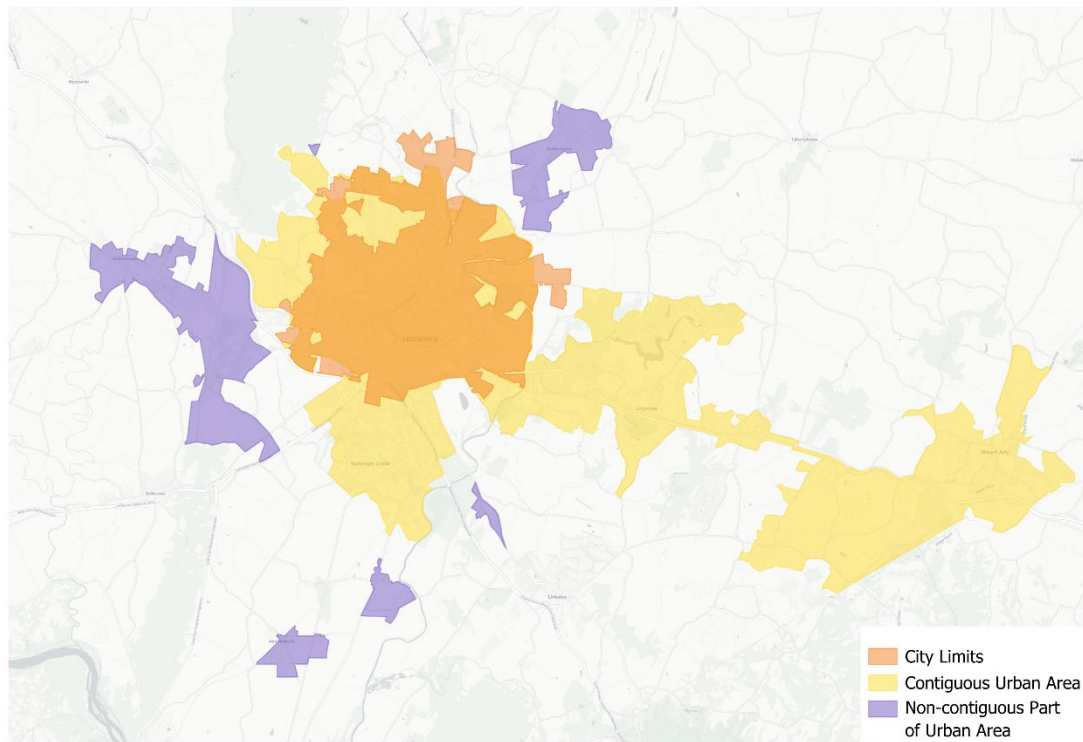
⁹ See "Urban Area Criteria for the 2020 Census-Final Criteria," 87 FR 16706 (March 24, 2022).



contiguous and adjacent urban area that are not themselves contiguous and adjacent to a city or town with a population of at least 50,000 as contiguous and adjacent urban areas.

For example, Figure 1 shows the area around Frederick, Maryland. Frederick, pictured in orange, had a population of more than 78,000 in 2020. Urban areas contiguous and adjacent to a city or town of 50,000 are pictured in yellow. The contiguous part of the Frederick Urban Area surrounds the city and extends eastward. However, there are additional islands of the Frederick Urban Area that are not contiguous (pictured in purple). An eligible tract intersecting the purple area, but not the orange or yellow area, would be categorized as a rural eligible tract, because it does not overlap with a city or town of 50,000 or the contiguous and adjacent urban area.

Figure 1. Example of urban areas around Frederick, MD



Next, Treasury maps the eligible census tracts with the cities and towns with a population of at least 50,000 inhabitants and the associated contiguous and adjacent urban areas.¹⁰ Those eligible tracts with no area overlapping the identified cities, towns, or urban areas are deemed to be comprised entirely of a rural area; accordingly, Treasury determines these to be rural eligible tracts.

A small number of the eligible tracts have a negligible overlapping area due to minor imperfections in boundary mapping. These imperfections are due either to technical limitations in the mapping software or slight shifts in census tract boundaries between the 2024 tract boundaries and census tract boundaries as they appear for the 2020 Decennial Census (and thus block boundaries for 2020 urban areas).

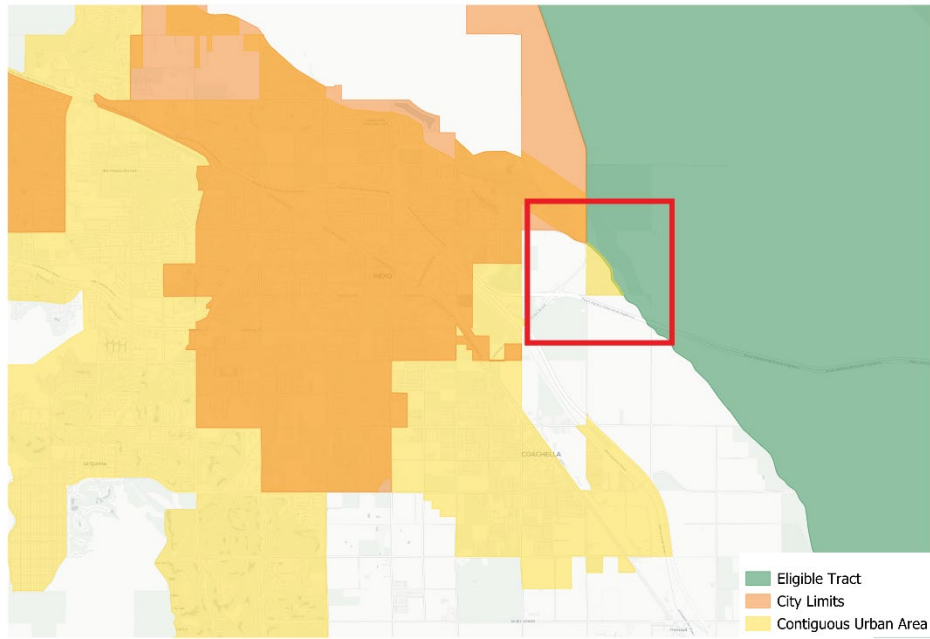
To address these considerations, Treasury adopted a de.minimis standard in developing this methodology: If an eligible tract overlaps the area of a city or town with a population of at least 50,000, or overlaps the area of a contiguous and adjacent urban area, but the overlap does not completely contain at least one census block either deemed by the Census Bureau to be in an urban area in 2020 or completely contained within the border of a city or town with a population of at least 50,000, then Treasury determined the eligible tract to be comprised entirely of a rural area and accordingly, be defined as a rural eligible tract.

Figure 2 shows an example of how the de.minimis standard is used to determine an eligible tract to be a rural eligible tract despite having an apparent intersection with a contiguous urban area. Panel (a) shows an eligible tract in Riverside County, California (pictured in green). A contiguous portion of the Indio-Palm Desert-Palm Springs urban area (yellow) intersects the eligible tract along the western border of the eligible tract inside the red box. The de.minimis standard asks if that intersection fully contains any urban census blocks. Panel (b) zooms in on the intersection (dark area along the border of the green and yellow shaded areas indicated by the red arrow) and shows that when examining the underlying census blocks (outlined in black), no urban blocks (those completely contained within the urban area) are completely contained within the eligible tract. This means that the eligible tract meets the de.minimis standard and is thus determined to be a rural eligible tract.

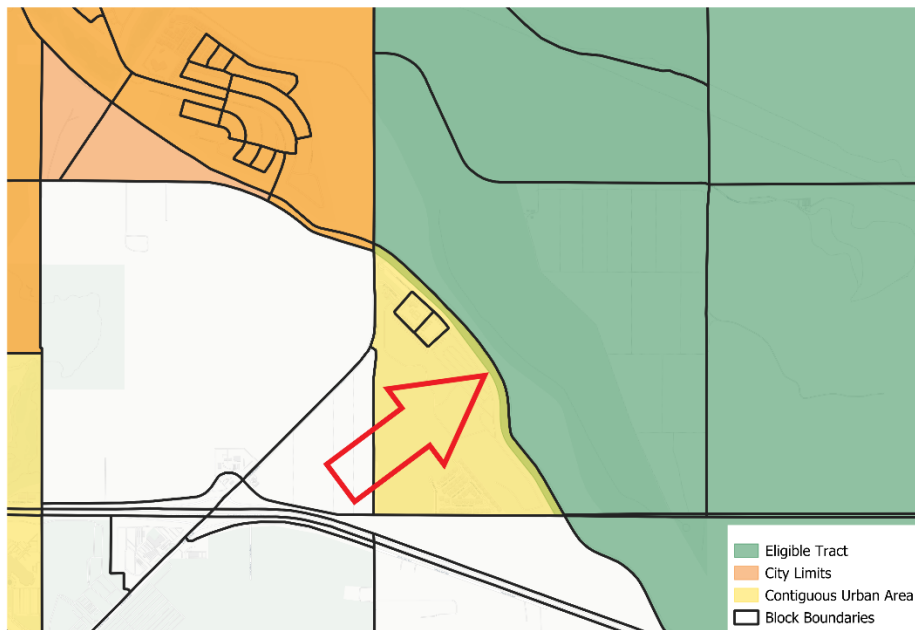
¹⁰ A map of eligible tracts can be created by combining the list of eligible tracts listed in Revenue Procedure 2026-14, with the 2024 census tract map found in the National Sub-State Geography Geodatabase, available at <https://www.census.gov/geographies/mapping-files/time-series/geo/tiger-geodatabase-file.2024.html>.



Figure 2. Example of de.minimis standard in Riverside County, California



(a) An eligible tract in Riverside County, CA



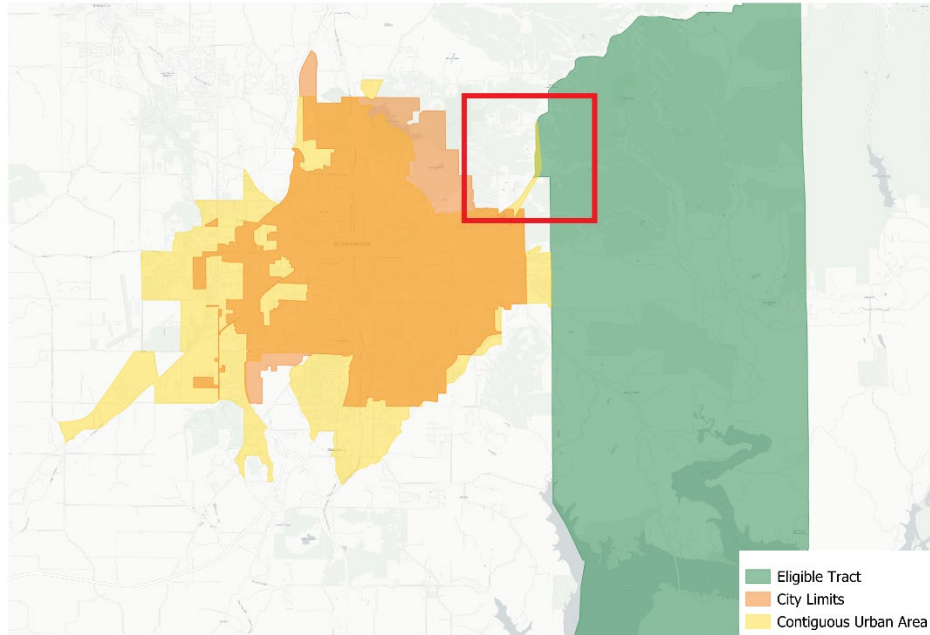
(b) The *de minimis* standard is met—there are no urban blocks fully contained within the eligible tract.



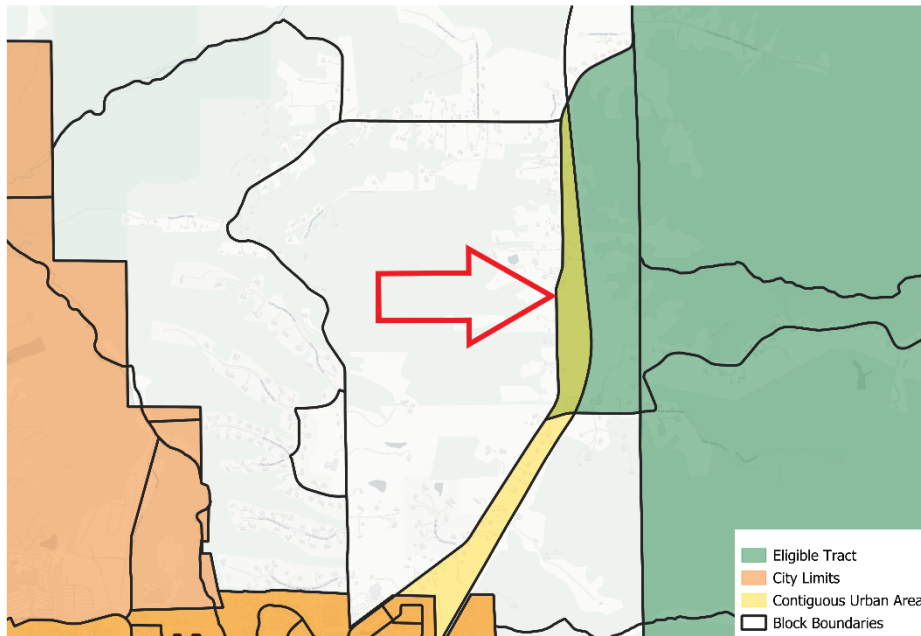
On the other hand, Figure 3 shows an example where the de.minimis standard is not met. Panel (a) shows an eligible tract located in Monroe County, Indiana, just outside of Bloomington, Indiana. The contiguous urban area (yellow) extending to the northeast of the city (orange) intersects the eligible tract (green) around a residential area at the northwestern edge of the eligible tract inside the red box. Panel (b) again zooms in on the intersection and overlays census blocks. There is an urban census block completely contained within the intersection (both within the contiguous urban area and the eligible tract, indicated by the red arrow). Therefore, this tract is not considered rural.



Figure 3. Example of de.minimis.standard in Monroe County, Indiana



(a) An eligible tract outside of Bloomington, IN



(b) The *de minimis* standard is not met because urban census blocks are fully contained in the eligible tract

