



Department of the Treasury  
Office of Tax Analysis

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Methodology for Determining 2018  
Qualified Opportunity Zones Comprised  
Entirely of a Rural Area under § 70421 of  
the One, Big, Beautiful Bill Act

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In 2018 and 2019, certain low-income census tracts in the United States and its territories were designated as Qualified Opportunity Zones (QOZs) by the Treasury Department. Taxpayers who invest in QOZs receive certain tax benefits. Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), introduced additional tax benefits for investments in QOZs located in rural areas.

Section 70421(c)(2) of the OBBBA codifies a definition of “rural area” in § 1400Z-2(b)(2)(C)(ii) of the Internal Revenue Code (Code) 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) uses to determine which census tracts designated as QOZs in Notice 2018-48, as amplified by Notice 2019-42 (2018 QOZs),<sup>1</sup> are comprised entirely of a rural area (Rural 2018 QOZs). The list of these Rural 2018 QOZs is provided in Notice 2025-50.<sup>2</sup>

Determining which of the 2018 QOZ census tracts satisfies 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 2018 QOZs that are fully outside the cities, towns, or urban areas to characterize the Rural 2018 QOZs.

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.<sup>3</sup> For Hawaii and Puerto Rico, which

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<sup>1</sup> Notice 2018-48, 2018-28 IRB 9, available at [https://www.irs.gov/irb/2018-28\\_IRB#NOT-2018-48](https://www.irs.gov/irb/2018-28_IRB#NOT-2018-48), as amplified by Notice 2019-42, 2019-29 IRB 352, available at [https://www.irs.gov/irb/2019-29\\_IRB#NOTICE-2019-42](https://www.irs.gov/irb/2019-29_IRB#NOTICE-2019-42).

<sup>2</sup> Notice 2025-50, 2025-43 IRB 542, available [Internal Revenue Bulletin: 2025-43 | Internal Revenue Service](#).

<sup>3</sup> 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

do not have separately incorporated cities and towns for Census Bureau data purposes,<sup>4</sup> 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.<sup>5</sup> The Census Bureau defines urban areas at the census block level on a decennial basis.<sup>6</sup> 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 Notice 2025-50, 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.”<sup>7</sup> In determining its methodology for identifying Rural 2018 QOZs, Treasury does not include any islands of a 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 purple. 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 green). A 2018 QOZ intersecting the green area, but not the orange or purple area, would be categorized as a Rural 2018 QOZ, because it does not overlap with a city or town of 50,000 or the contiguous and adjacent urban area.

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available at <https://www.census.gov/geographies/mapping-files/time-series/geo/tiger-geodatabase-file.2020.html>.

<sup>4</sup> In Puerto Rico, for example, municipios are incorporated, but are regarded as county equivalents in Census Bureau data.

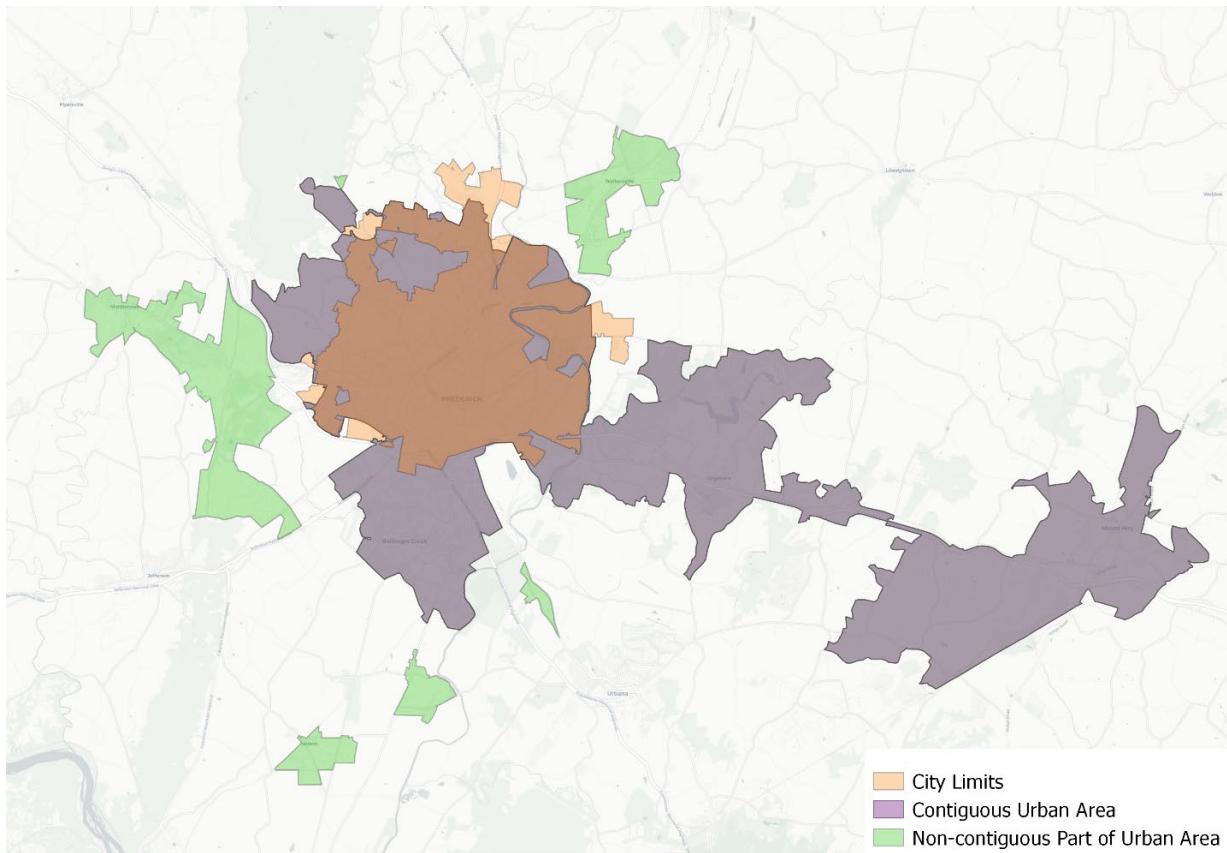
<sup>5</sup> For the 2020 Decennial Census, the Census Bureau stopped distinguishing urban areas between those that are “urban clusters” and those that are “urbanized areas” as they had in previous decennial censuses. Instead, the 2020 Decennial Census designates only “urban areas.” For further explanation, see Notice 2025-50.

<sup>6</sup> 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>.

<sup>7</sup> See “Urban Area Criteria for the 2020 Census-Final Criteria,” 87 FR 16706 (March 24, 2022).



**Figure 1. Example of urban areas around Frederick, MD**



Next, Treasury maps the 2018 QOZ census tracts with the cities and towns with a population of at least 50,000 inhabitants and the associated contiguous and adjacent urban areas.<sup>8</sup> Those 2018 QOZ 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 2018 QOZs.

A small number of the 2018 QOZs had 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 2018 QOZ boundaries (which are defined based on census tract boundaries as they existed

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<sup>8</sup> A map of the 2018 QOZs can be created by combining the list of designated QOZs listed in Notice 2018-48, , as amplified by Notice 2019-42, [https://www.irs.gov/irb/2019-29\\_IRB#NOTICE-2019-42](https://www.irs.gov/irb/2019-29_IRB#NOTICE-2019-42) with the 2017 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.2017.html>.

in 2018 based on the 2010 Decennial Census) 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 a 2018 QOZ had less than 0.1 percent of its area overlapping with a city or town with a population of at least 50,000, or a contiguous and adjacent urban area and did 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 2018 QOZ to be comprised entirely of a rural area and accordingly, be defined as a Rural 2018 QOZ.

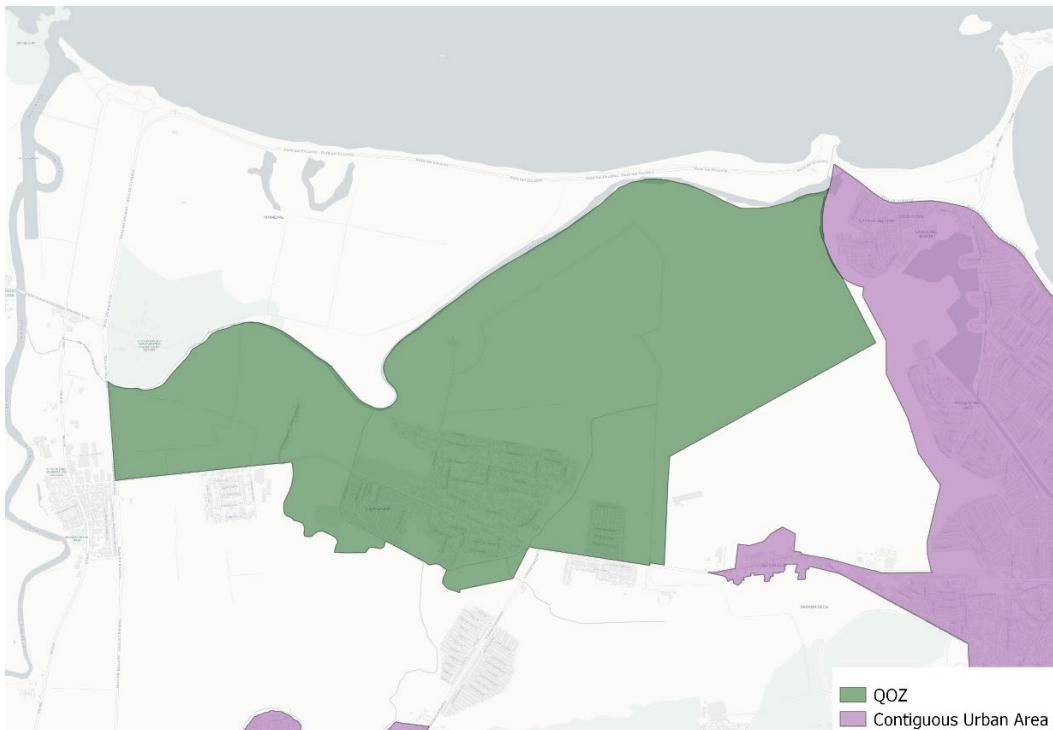
Figure 2 shows an example of how the *de minimis* standard is used to determine a 2018 QOZ to be a Rural 2018 QOZ despite having an apparent intersection with a contiguous urban area. Panel (a) shows a 2018 QOZ in Toa Baja, Puerto Rico (pictured in green). A contiguous portion of the San Juan urban area (purple) intersects the 2018 QOZ along the northeast border of the 2018 QOZ. The *de minimis* standard asks how big the intersection is, and if that intersection fully contains any urban census blocks. In this case, the intersecting area accounts for 0.06 percent of the total area of the 2018 QOZ.<sup>9</sup> This is lower than the 0.1 percent threshold for the *de minimis* standard. Further, panel (b) zooms in on the intersection (dark area along the border of the green and purple shaded areas) 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 2018 QOZ. This means that the 2018 QOZ meets the *de minimis* standard and is thus determined to be a Rural 2018 QOZ.

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<sup>9</sup> The intersecting urban area for this QOZ covers about 1.7 acres of a total QOZ area of 2,622 acres.



**Figure 2. Example of *de minimis* standard in Toa Baja, Puerto Rico**



(a) A 2018 QOZ in Toa Baja, PR



(b) The *de minimis* standard is met—the size of the intersection is less than 0.1 percent of the total 2018 QOZ's area and there are no urban blocks fully contained within the 2018 QOZ.

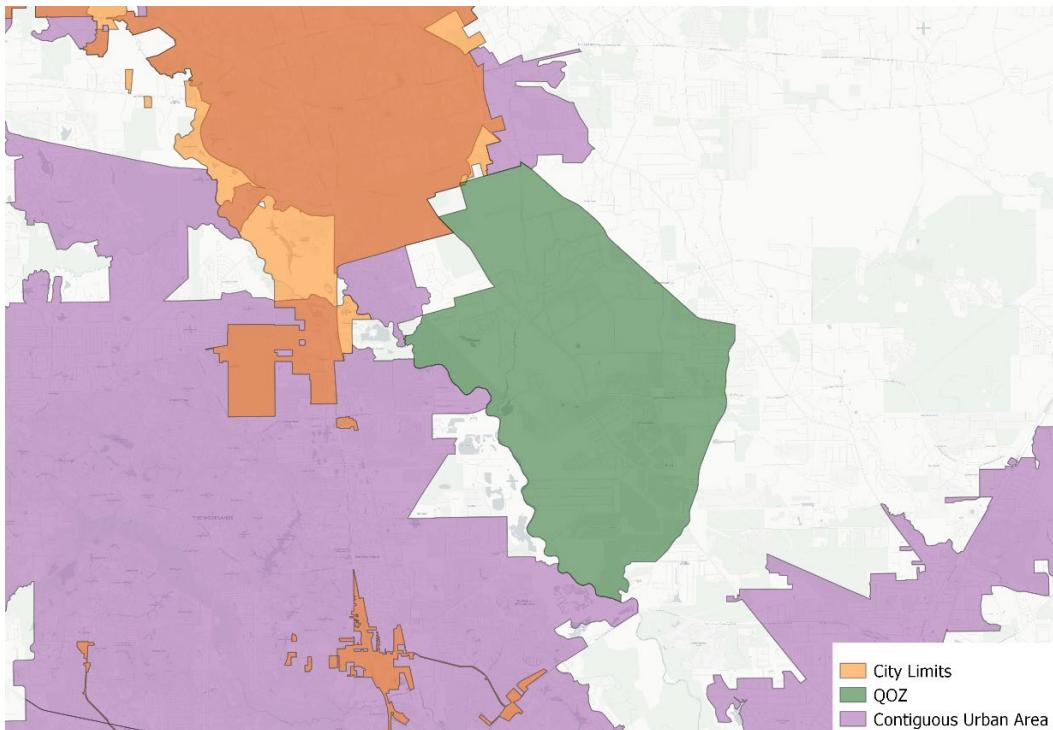
On the other hand, Figure 3 shows an example where the *de minimis* standard is not met. Panel (a) shows a 2018 QOZ located in Montgomery County, Texas, just outside of Conroe City. The city (orange) intersects the 2018 QOZ (green) around one small neighborhood at the northern edge of the 2018 QOZ. The area of the intersection is just 0.03 percent of the total area of the 2018 QOZ.<sup>10</sup> Panel (b) again zooms in on the intersection and overlays census blocks. There are three census blocks completely contained within the intersection (both within the city and the 2018 QOZ). Therefore, despite having an intersection of less than 0.1 percent, this tract is not considered rural.

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<sup>10</sup> The intersecting urban area for this QOZ covers about 10.9 acres of a total QOZ area of 36,133 acres.



**Figure 3. Example of *de minimis* standard in Montgomery County, Texas**



(b) The *de minimis* standard is not met because city census blocks are fully contained in the 2018 QOZ