

116TH CONGRESS
1ST SESSION

H. R. 5042

To amend the Internal Revenue Code of 1986 to reform rules related to qualified opportunity zones.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 12, 2019

Mr. CLYBURN (for himself, Ms. ADAMS, and Mr. CLAY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to reform rules related to qualified opportunity zones.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Opportunity Zone Re-
5 form Act”.

6 **SEC. 2. MODIFICATION OF TRACTS QUALIFIED TO BE DES-**
7 **IGNATED AS QUALIFIED OPPORTUNITY**
8 **ZONES.**

9 (a) DISQUALIFICATION OF CERTAIN CENSUS
10 TRACTS.—

(1) CENSUS TRACTS WITH HIGH MEDIAN FAMILY INCOME.—Paragraph (1) of section 1400Z–1(c) of the Internal Revenue Code of 1986 is amended to read as follows:

“(1) LOW-INCOME COMMUNITIES.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), the term ‘low-income community’ has the same meaning as when used in section 45D(e).

“(B) EXCEPTION.—

“(i) IN GENERAL.—Such term shall not include any census tract if the median family income for such tract exceeds 120 percent of the national median family income (as determined based the most recent data published by the Bureau of the Census on the date of the enactment of the Opportunity Zone Reform Act).

“(ii) SPECIAL RULE.—Clause (i) shall not apply to any census tract if—

“(I) the poverty rate for such tract is at least 20 percent, and

“(II) less than 10 percent of the population of such tract is enrolled in an institution of higher education (as

1 defined in section 101 of the Higher
2 Education Act of 1965).”.

3 (2) CONTIGUOUS CENSUS TRACTS.—Section
4 1400Z–1 of such Code is amended by striking sub-
5 section (e) and redesignating subsection (f) as sub-
6 section (e).

7 (b) TREATMENT OF PREVIOUSLY DESIGNATED
8 TRACTS.—Section 1400Z–1 of such Code, as amended by
9 subsection (a)(2), is amended by adding at the end the
10 following:

11 “(f) TREATMENT OF CERTAIN CENSUS TRACTS.—

12 “(1) IN GENERAL.—Except as provided in sec-
13 tion 1400Z–2(d)(2)(D), any census tract (other than
14 a census tract in Puerto Rico) which is not a low-
15 income community and which was designated as a
16 qualified opportunity zone before the date of the en-
17 actment of the Opportunity Zone Reform Act shall
18 not be treated as a qualified opportunity zone on or
19 after such date of enactment.

20 “(2) REPLACEMENT ZONES.—

21 “(A) IN GENERAL.—A State may des-
22 ignate a low-income community as a qualified
23 opportunity zone to replace a census tract the
24 status of which as a qualified opportunity zone
25 was terminated by reason of paragraph (1).

1 “(B) SPECIAL RULES.—For purposes of
2 this subchapter—

3 “(i) the determination period with re-
4 spect to a designation under subparagraph
5 (A) shall be the 90-day period beginning
6 on the date of the enactment of such Act,
7 as extended under subsection (b)(2), and

8 “(ii) the period for which any such
9 designation is in effect shall be the period
10 beginning with the date such designation
11 takes effect and ending with the last day
12 of the 10th calendar year beginning on or
13 after the designation date as a qualified
14 opportunity zone for the census tract
15 which it is replacing as such a zone by rea-
16 son of the termination under clause (i).”.

17 (c) TREATMENT OF EXISTING INVESTMENTS.—Sec-
18 tion 1400Z-2(d)(2)(D) of such Code is amended by add-
19 ing at the end the following new clause:

20 “(iv) SPECIAL RULE FOR INVEST-
21 MENTS IN CERTAIN CENSUS TRACTS.—

22 “(I) IN GENERAL.—For purposes
23 of applying this paragraph, the use of
24 property in a qualified census tract
25 shall be treated as use of property in

1 a qualified opportunity zone if the
2 original use of such property occurred
3 before November 6, 2019, or in the
4 case of property acquired before such
5 date, the property was substantially
6 improved before the close of the 30-
7 month period beginning with the
8 month of the acquisition.

9 “(II) QUALIFIED CENSUS
10 TRACT.—For purposes of this clause,
11 the term ‘qualified census tract’
12 means any census tract which is not a
13 low-income community and which was
14 designated as a qualified opportunity
15 zone before the date of the enactment
16 of the Opportunity Zone Reform
17 Act.”.

18 **SEC. 3. MAINTENANCE OF GEOGRAPHIC BOUNDARIES OF**
19 **QUALIFIED OPPORTUNITY ZONES.**

20 Section 1400Z–1(e) of the Internal Revenue Code of
21 1986, as redesignated by section 2(a)(2), is amended by
22 adding at the end the following new sentence: “Such des-
23 ignation shall apply to the geographic area as in effect
24 at the time such tract is designated without regard to

1 whether adjustments are made to the boundaries of the
 2 census tract so designated.”.

3 **SEC. 4. MODIFICATION OF PROHIBITION ON CERTAIN**
 4 **TYPES OF TRADES OR BUSINESS AS QUALI-**
 5 **FIED OPPORTUNITY ZONE BUSINESSES.**

6 (a) IN GENERAL.—Section 1400Z–2(d)(3)(A)(iii) of
 7 the Internal Revenue Code of 1986 is amended by striking
 8 “in section 144(c)(6)(B)” and inserting “subsections
 9 (a)(8)(B) or (c)(6)(B) of section 144 or section 147(e)”.

10 (b) EFFECTIVE DATE.—The amendment made by
 11 this section shall take effect on November 6, 2019.

12 **SEC. 5. OTHER MODIFICATIONS RELATED TO QUALIFIED**
 13 **OPPORTUNITY FUNDS.**

14 (a) APPLICATION OF QUALIFIED OPPORTUNITY
 15 ZONE BUSINESS RULES TO TRADES OR BUSINESSES
 16 CONDUCTED BY QUALIFIED OPPORTUNITY ZONE
 17 FUNDS.—

18 (1) IN GENERAL.—Section 1400Z–2(d)(1) of
 19 the Internal Revenue Code of 1986 is amended to
 20 read as follows:

21 “(1) IN GENERAL.—The term ‘qualified oppor-
 22 tunity fund’ means any investment vehicle—

23 “(A) which is organized as a corporation
 24 or a partnership for the purpose of investing in
 25 qualified opportunity zone property (other than

another qualified opportunity fund) that holds at least 90 percent of its assets in qualified opportunity zone property, determined by the average of the percentage of qualified opportunity zone property held in the fund as measured—

“(i) on the last day of the first 6-month period of the taxable year of the fund, and

“(ii) on the last day of the taxable year of the fund, and

“(B) any trade or business of which is a qualified opportunity zone business.”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in section 13823 of Public Law 115–97.

(b) CLARIFICATION OF SUBSTANTIALLY ALL.—

(1) IN GENERAL.—Section 1400Z–2(d) of the Internal Revenue Code of 1986 is amended—

(A) by striking “during substantially all” each place it appears in paragraphs (2)(B)(i)(III), (2)(C)(iii), and (2)(D)(i)(III) and inserting “for not less than 90 percent”,

(B) by striking “substantially all of the use” in paragraph (2)(D)(i)(III) and inserting “not less than 90 percent of the use”, and

1 (C) by striking “in which substantially all”
 2 in paragraph (3)(A)(i) and inserting “in which
 3 not less than 90 percent”.

4 (2) EFFECTIVE DATE.—The amendments made
 5 by this subsection shall take effect as if included in
 6 section 13823 of Public Law 115–97.

7 (c) CERTAIN PROPERTY EXCLUDED FROM QUALI-
 8 FIED OPPORTUNITY ZONE BUSINESS PROPERTY.—

9 (1) IN GENERAL.—Section 1400Z–2(d)(2)(D)
 10 of the Internal Revenue Code of 1986 is amended—

11 (A) in clause (i), by inserting “(other than
 12 self-storage property, parking property, stadium
 13 property, or disqualified residential rental prop-
 14 erty)” after “tangible property”, and

15 (B) by adding at the end the following new
 16 clauses:

17 “(iv) SELF-STORAGE PROPERTY.—The
 18 term ‘self-storage property’ means property
 19 designed and used for the purpose of rent-
 20 ing or leasing individual storage space to
 21 occupants who are to have access to such
 22 space for the purpose of storing and re-
 23 moving personal property.

24 “(v) PARKING PROPERTY.—The term
 25 ‘parking property’ means any property 90

percent or more of the square footage of which is used for parking or for the ingress or egress of vehicles.

“(vi) STADIUM.—The term ‘stadium property’ means any facility (or appurtenant real property) which, during at least 5 days during any calendar year, is used as a stadium or arena for professional sports exhibitions, games, or training.

“(vii) DISQUALIFIED RESIDENTIAL RENTAL PROPERTY.—The term ‘disqualified residential rental property’ means any residential rental property unless 50 percent or more of the residential units of such property are both rent-restricted (within the meaning of section 42(g)(2)) and occupied by individuals whose income is 50 percent or less of area median income.”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in section 13823 of Public Law 115–97.

(d) TREATMENT OF LEASED PROPERTY.—

(1) IN GENERAL.—Section 1400Z–2(d)(2)(D)(i)(I) of the Internal Revenue Code of

1 1986 is amended by inserting “or under a lease
 2 (other than a lease from a related person) entered
 3 into after December 31, 2017,” after “December 31,
 4 2017,”.

5 (2) EFFECTIVE DATE.—The amendment made
 6 by this subsection shall take effect as if included in
 7 section 13823 of Public Law 115–97.

8 (e) CORRECTION RELATING TO ORIGINAL USE OF
 9 QUALIFIED OPPORTUNITY ZONE BUSINESS PROPERTY.—

10 (1) IN GENERAL.—Section 1400Z–
 11 2(d)(2)(D)(i)(II) of the Internal Revenue Code of
 12 1986 is amended by striking “in the qualified oppor-
 13 tunity zone”.

14 (2) EFFECTIVE DATE.—The amendment made
 15 by this subsection shall take effect as if included in
 16 section 13823 of Public Law 115–97.

17 (f) MODIFICATION OF DETERMINATION OF SUBSTAN-
 18 TIAL IMPROVEMENT OF QUALIFIED OPPORTUNITY ZONE
 19 BUSINESS PROPERTY.—

20 (1) IN GENERAL.—Section 1400Z–
 21 2(d)(2)(D)(ii) of the Internal Revenue Code of 1986
 22 is amended by inserting “(including land)” after
 23 “adjusted basis of such property”.

1 (2) EFFECTIVE DATE.—The amendment made
2 by this subsection shall take effect as if included in
3 section 13823 of Public Law 115–97.

4 **SEC. 6. PUBLIC LIST OF QUALIFIED OPPORTUNITY FUNDS.**

5 The Secretary of the Treasury (or the Secretary’s
6 delegate) shall maintain and make publicly available on
7 the internet and at the offices of the Internal Revenue
8 Service—

9 (1) a list of investment vehicles that are cer-
10 tified as qualified opportunity funds (as defined in
11 section 1400Z–2(d)(1) of the Internal Revenue Code
12 of 1986) pursuant to the rules established under
13 section 1400Z–2(e)(4)(A) of such Code, and

14 (2) the name, address, and the uniform re-
15 source locator (URL) for the website for such fund.

16 **SEC. 7. GAO REPORT.**

17 (a) IN GENERAL.—Not later than each applicable
18 date, the Comptroller General of the United States shall
19 submit to Congress a report on the effectiveness of the
20 provisions of subchapter Z of chapter 1 of the Internal
21 Revenue Code of 1986 in achieving the policies of such
22 provisions.

23 (b) MATTERS INCLUDED.—The reports submitted
24 under subsection (a) shall include an analysis of—

1 (1) the distribution of investments of qualified
2 opportunity funds among qualified opportunity
3 zones,

4 (2) the distribution of such investments across
5 different industries or investment purposes,

6 (3) the impact of the designation of an area as
7 a qualified opportunity zone on—

8 (A) economic indicators, including employ-
9 ment, new business start-ups, and poverty re-
10 duction,

11 (B) housing costs, and

12 (C) income distribution among residents of
13 such zones,

14 (4) the economic benefits provided by such des-
15 ignations compared to economic costs, and

16 (5) to the extent practicable, the impact of the
17 provisions of such subchapter Z on low-income com-
18 munities that have not been designated as qualified
19 opportunity zones.

20 (c) DEFINITIONS.—

21 (1) APPLICABLE DATE.—The term “applicable
22 date” means—

23 (A) the date that is 5 years after the date
24 of the enactment of this Act, and

1 (B) the date that is 10 years after the date
2 of the enactment of this Act.

3 (2) OTHER TERMS.—Any term used in this sec-
4 tion which is also used in subchapter Z of chapter
5 1 of the Internal Revenue Code of 1986 shall have
6 the meaning given such term under such subchapter.

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