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(Original Signature of Member)

116TH CONGRESS
1ST SESSION

H. R. _____

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

IN THE HOUSE OF REPRESENTATIVES

Mr. CLYBURN introduced the following bill; which was referred to the
Committee on _____

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”.

1 **SEC. 2. MODIFICATION OF TRACTS QUALIFIED TO BE DES-**
2 **IGNATED AS QUALIFIED OPPORTUNITY**
3 **ZONES.**

4 (a) DISQUALIFICATION OF CERTAIN CENSUS
5 TRACTS.—

6 (1) CENSUS TRACTS WITH HIGH MEDIAN FAM-
7 ILY INCOME.—Paragraph (1) of section 1400Z–1(c)
8 of the Internal Revenue Code of 1986 is amended to
9 read as follows:

10 “(1) LOW-INCOME COMMUNITIES.—

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

15 “(B) EXCEPTION.—

16 “(i) IN GENERAL.—Such term shall
17 not include any census tract if the median
18 family income for such tract exceeds 120
19 percent of the national median family in-
20 come (as determined based the most recent
21 data published by the Bureau of the Cen-
22 sus on the date of the enactment of the
23 Opportunity Zone Reform Act).

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

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

3 “(II) less than 10 percent of the
4 population of such tract is enrolled in
5 an institution of higher education (as
6 defined in section 101 of the Higher
7 Education Act of 1965).”.

8 (2) CONTIGUOUS CENSUS TRACTS.—Section
9 1400Z–1 of such Code is amended by striking sub-
10 section (e) and redesignating subsection (f) as sub-
11 section (e).

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

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

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

25 “(2) REPLACEMENT ZONES.—

1 “(A) IN GENERAL.—A State may des-
2 ignate a low-income community as a qualified
3 opportunity zone to replace a census tract the
4 status of which as a qualified opportunity zone
5 was terminated by reason of paragraph (1).

6 “(B) SPECIAL RULES.—For purposes of
7 this subchapter—

8 “(i) the determination period with re-
9 spect to a designation under subparagraph
10 (A) shall be the 90-day period beginning
11 on the date of the enactment of such Act,
12 as extended under subsection (b)(2), and

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

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

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

3 “(I) IN GENERAL.—For purposes
4 of applying this paragraph, the use of
5 property in a qualified census tract
6 shall be treated as use of property in
7 a qualified opportunity zone if the
8 original use of such property occurred
9 before November 6, 2019, or in the
10 case of property acquired before such
11 date, the property was substantially
12 improved before the close of the 30-
13 month period beginning with the
14 month of the acquisition.

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

1 **SEC. 3. MAINTENANCE OF GEOGRAPHIC BOUNDARIES OF**
2 **QUALIFIED OPPORTUNITY ZONES.**

3 Section 1400Z–1(e) of the Internal Revenue Code of
4 1986, as redesignated by section 2(a)(2), is amended by
5 adding at the end the following new sentence: “Such des-
6 ignation shall apply to the geographic area as in effect
7 at the time such tract is designated without regard to
8 whether adjustments are made to the boundaries of the
9 census tract so designated.”.

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

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

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

19 **SEC. 5. OTHER MODIFICATIONS RELATED TO QUALIFIED**
20 **OPPORTUNITY FUNDS.**

21 (a) APPLICATION OF QUALIFIED OPPORTUNITY
22 ZONE BUSINESS RULES TO TRADES OR BUSINESSES
23 CONDUCTED BY QUALIFIED OPPORTUNITY ZONE
24 FUNDS.—

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

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

6 “(A) which is organized as a corporation
7 or a partnership for the purpose of investing in
8 qualified opportunity zone property (other than
9 another qualified opportunity fund) that holds
10 at least 90 percent of its assets in qualified op-
11 portunity zone property, determined by the av-
12 erage of the percentage of qualified opportunity
13 zone property held in the fund as measured—

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

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

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

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

24 (b) CLARIFICATION OF SUBSTANTIALLY ALL.—

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

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

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

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

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

16 (c) CERTAIN PROPERTY EXCLUDED FROM QUALI-
17 FIED OPPORTUNITY ZONE BUSINESS PROPERTY.—

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

20 (A) in clause (i), by inserting “(other than
21 self-storage property, parking property, stadium
22 property, or disqualified residential rental prop-
23 erty)” after “tangible property”, and

24 (B) by adding at the end the following new
25 clauses:

1 “(iv) SELF-STORAGE PROPERTY.—The
2 term ‘self-storage property’ means property
3 designed and used for the purpose of rent-
4 ing or leasing individual storage space to
5 occupants who are to have access to such
6 space for the purpose of storing and re-
7 moving personal property.

8 “(v) PARKING PROPERTY.—The term
9 ‘parking property’ means any property 90
10 percent or more of the square footage of
11 which is used for parking or for the in-
12 gress or egress of vehicles.

13 “(vi) STADIUM.—The term ‘stadium
14 property’ means any facility (or appur-
15 tenant real property) which, during at
16 least 5 days during any calendar year, is
17 used as a stadium or arena for professional
18 sports exhibitions, games, or training.

19 “(vii) DISQUALIFIED RESIDENTIAL
20 RENTAL PROPERTY.—The term ‘disquali-
21 fied residential rental property’ means any
22 residential rental property unless 50 per-
23 cent or more of the residential units of
24 such property are both rent-restricted
25 (within the meaning of section 42(g)(2))

1 and occupied by individuals whose income
2 is 50 percent or less of area median in-
3 come.”.

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 (d) TREATMENT OF LEASED PROPERTY.—

8 (1) IN GENERAL.—Section 1400Z-
9 2(d)(2)(D)(i)(I) of the Internal Revenue Code of
10 1986 is amended by inserting “or under a lease
11 (other than a lease from a related person) entered
12 into after December 31, 2017,” after “December 31,
13 2017,”.

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

19 (1) IN GENERAL.— Section 1400Z-
20 2(d)(2)(D)(i)(II) of the Internal Revenue Code of
21 1986 is amended by striking “in the qualified oppor-
22 tunity zone”.

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

1 (f) MODIFICATION OF DETERMINATION OF SUBSTAN-
2 TIAL IMPROVEMENT OF QUALIFIED OPPORTUNITY ZONE
3 BUSINESS PROPERTY.—

4 (1) IN GENERAL.—Section 1400Z–
5 2(d)(2)(D)(ii) of the Internal Revenue Code of 1986
6 is amended by inserting “(including land)” after
7 “adjusted basis of such property”.

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

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

12 The Secretary of the Treasury (or the Secretary’s
13 delegate) shall maintain and make publicly available on
14 the Internet and at the offices of the Internal Revenue
15 Service—

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

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

23 **SEC. 7. GAO REPORT.**

24 (a) IN GENERAL.—Not later than each applicable
25 date, the Comptroller General of the United States shall

1 submit to Congress a report on the effectiveness of the
2 provisions of subchapter Z of chapter 1 of the Internal
3 Revenue Code of 1986 in achieving the policies of such
4 provisions.

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

7 (1) the distribution of investments of qualified
8 opportunity funds among qualified opportunity
9 zones,

10 (2) the distribution of such investments across
11 different industries or investment purposes,

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

14 (A) economic indicators, including employ-
15 ment, new business start-ups, and poverty re-
16 duction,

17 (B) housing costs, and

18 (C) income distribution among residents of
19 such zones,

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

22 (5) to the extent practicable, the impact of the
23 provisions of such subchapter Z on low-income com-
24 munities that have not been designated as qualified
25 opportunity zones.

1 (c) DEFINITIONS.—

2 (1) APPLICABLE DATE.—The term “applicable
3 date” means—

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

6 (B) the date that is 10 years after the date
7 of the enactment of this Act.

8 (2) OTHER TERMS.—Any term used in this sec-
9 tion which is also used in subchapter Z of chapter
10 1 of the Internal Revenue Code of 1986 shall have
11 the meaning given such term under such subchapter.