

116TH CONGRESS  
1ST SESSION

# H. R. 5042

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

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## 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

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

5           “(1) LOW-INCOME COMMUNITIES.—

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

10          “(B) EXCEPTION.—

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

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

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

23                  “(II) less than 10 percent of the  
24                  population of such tract is enrolled in  
25                  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

1 another qualified opportunity fund) that holds  
2 at least 90 percent of its assets in qualified op-  
3 portunity zone property, determined by the av-  
4 erage of the percentage of qualified opportunity  
5 zone property held in the fund as measured—

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

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

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

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 (b) CLARIFICATION OF SUBSTANTIALLY ALL.—

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

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

23 (B) by striking “substantially all of the  
24 use” in paragraph (2)(D)(i)(III) and inserting  
25 “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



1 percent or more of the square footage of  
2 which is used for parking or for the in-  
3 gress or egress of vehicles.

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

10 “(vii) DISQUALIFIED RESIDENTIAL  
11 RENTAL PROPERTY.—The term ‘disquali-  
12 fied residential rental property’ means any  
13 residential rental property unless 50 per-  
14 cent or more of the residential units of  
15 such property are both rent-restricted  
16 (within the meaning of section 42(g)(2))  
17 and occupied by individuals whose income  
18 is 50 percent or less of area median in-  
19 come.”.

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

23 (d) TREATMENT OF LEASED PROPERTY.—

24 (1) IN GENERAL.—Section 1400Z–  
25 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.

○