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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Opportunity Zone Reform Act”.
SEC. 2. MODIFICATION OF TRACTS QUALIFIED TO BE DESIGNATED AS QUALIFIED OPPORTUNITY ZONES.

(a) DISQUALIFICATION OF CERTAIN CENSUS 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 defined in section 101 of the Higher Education Act of 1965).”.

(2) CONTIGUOUS CENSUS TRACTS.—Section 1400Z–1 of such Code is amended by striking subsection (e) and redesignating subsection (f) as subsection (e).

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

“(f) TREATMENT OF CERTAIN CENSUS TRACTS.—
“(1) IN GENERAL.—Except as provided in section 1400Z–2(d)(2)(D), any census tract (other than a census tract in Puerto Rico) which is not a low-income community and which was designated as a qualified opportunity zone before the date of the enactment of the Opportunity Zone Reform Act shall not be treated as a qualified opportunity zone on or after such date of enactment.
“(2) REPLACEMENT ZONES.—
“(A) IN GENERAL.—A State may designate a low-income community as a qualified opportunity zone to replace a census tract the status of which as a qualified opportunity zone was terminated by reason of paragraph (1).

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

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

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

(c) TREATMENT OF EXISTING INVESTMENTS.—Section 1400Z–2(d)(2)(D) of such Code is amended by adding at the end the following new clause:
“(iv) **SPECIAL RULE FOR INVESTMENTS IN CERTAIN CENSUS TRACTS.—**

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

“(II) **QUALIFIED CENSUS TRACT.—**For purposes of this clause, the term ‘qualified census tract’ means any census tract which is not a low-income community and which was designated as a qualified opportunity zone before the date of the enactment of the Opportunity Zone Reform Act.”.
SEC. 3. MAINTENANCE OF GEOGRAPHIC BOUNDARIES OF QUALIFIED OPPORTUNITY ZONES.

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

SEC. 4. MODIFICATION OF PROHIBITION ON CERTAIN TYPES OF TRADES OR BUSINESS AS QUALIFIED OPPORTUNITY ZONE BUSINESSES.

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

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

SEC. 5. OTHER MODIFICATIONS RELATED TO QUALIFIED OPPORTUNITY FUNDS.

(a) APPLICATION OF QUALIFIED OPPORTUNITY ZONE BUSINESS RULES TO TRADES OR BUSINESSES CONDUCTED BY QUALIFIED OPPORTUNITY ZONE FUNDS.—
(1) IN GENERAL.—Section 1400Z–2(d)(1) of the Internal Revenue Code of 1986 is amended to read as follows:

“(1) IN GENERAL.—The term ‘qualified opportunity fund’ means any investment vehicle—

“(A) which is organized as a corporation or a partnership for the purpose of investing in 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

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

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

e) CERTAIN PROPERTY EXCLUDED FROM QUALIFIED OPPORTUNITY ZONE BUSINESS PROPERTY.—

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

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

(B) by adding at the end the following new clauses:
“(iv) SELF-STORAGE PROPERTY.—The term ‘self-storage property’ means property designed and used for the purpose of renting or leasing individual storage space to occupants who are to have access to such space for the purpose of storing and removing personal property.

“(v) PARKING PROPERTY.—The term ‘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 in-
come.”.

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

(2) **Effective Date.**—The amendment made
by this subsection shall take effect as if included in
section 13823 of Public Law 115–97.

(e) **Correction Relating to Original Use of
Qualified Opportunity Zone Business Property.**—

(1) **In general.**— Section 1400Z-
2(d)(2)(D)(i)(II) of the Internal Revenue Code of
1986 is amended by striking “in the qualified oppor-
tunity zone”.

(2) **Effective Date.**—The amendment made
by this subsection shall take effect as if included in
section 13823 of Public Law 115–97.
(f) Modification of Determination of Substantial Improvement of Qualified Opportunity Zone Business Property.—

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

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

SEC. 6. PUBLIC LIST OF QUALIFIED OPPORTUNITY FUNDS.

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

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

(2) the name, address, and the uniform resource locator (URL) for the website for such fund.

SEC. 7. GAO REPORT.

(a) In general.—Not later than each applicable date, the Comptroller General of the United States shall
submit to Congress a report on the effectiveness of the provisions of subchapter Z of chapter 1 of the Internal Revenue Code of 1986 in achieving the policies of such provisions.

(b) Matters Included.—The reports submitted under subsection (a) shall include an analysis of—

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

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

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

(A) economic indicators, including employment, new business start-ups, and poverty reduction,

(B) housing costs, and

(C) income distribution among residents of such zones,

(4) the economic benefits provided by such designations compared to economic costs, and

(5) to the extent practicable, the impact of the provisions of such subchapter Z on low-income communities that have not been designated as qualified opportunity zones.
(c) Definitions.—

(1) Applicable Date.—The term “applicable date” means—

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

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

(2) Other Terms.—Any term used in this section which is also used in subchapter Z of chapter 1 of the Internal Revenue Code of 1986 shall have the meaning given such term under such subchapter.