



# KANSAS

COMMERCE



# Opportunity Zones KEDA

Feb 3, 2026

**Paul Hughes**

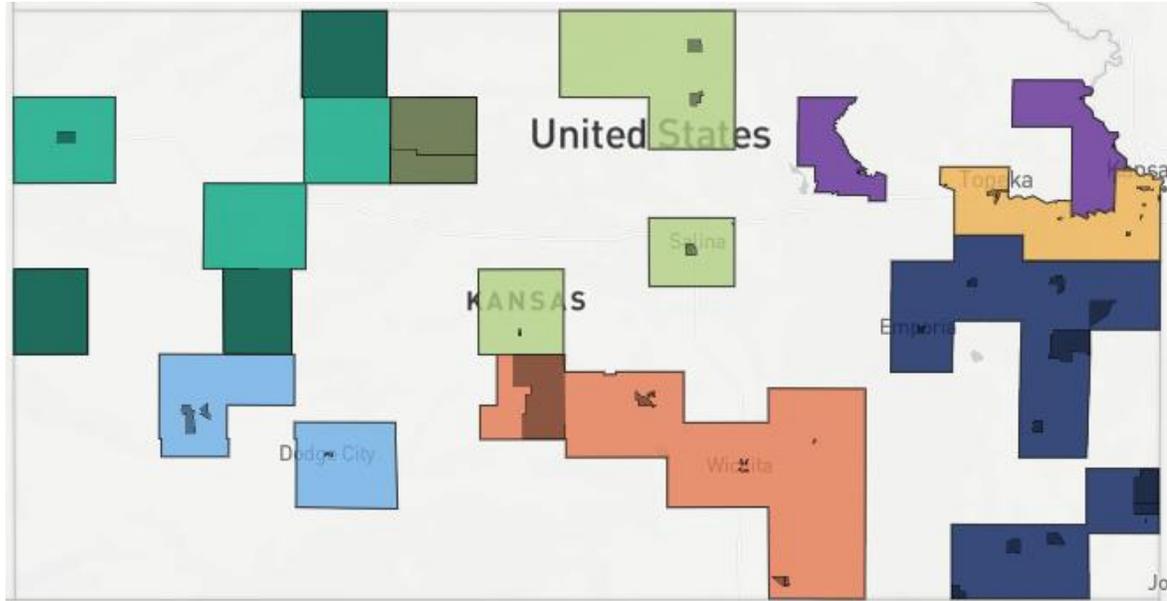
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# Opportunity Zones Today



- 74 across the state established in 2017 and remain through Dec. 31, 2026
- Defined by low-income Census tracts
- Qualified as economically distressed and were nominated by communities
- Exempt capital gains from being taxed if:
  - Investment made through a qualified opportunity fund (QOF)\*
  - Stayed invested at least 5 years (partial exemption)
  - 10 years or more = permanently exempted

# What is a Qualified Opportunity Fund?

- A QOF is an investment vehicle that files either a partnership or corporate federal income tax return and is organized for the sole purpose of investing in OZ property *and* files IRS Form 8996 annually.
- They are required to be >90% invested in an OZ at any given time, and consequently, tend to invest immediately in a portfolio of projects they are interested in.
- Any property they invest in (including businesses) must collect at least 50% of their earnings within the Opportunity Zone.
  - Examples: converting a historic warehouse into mixed use development; multifamily housing; converting an abandoned building into a drug treatment center; warehouse into grocery store.
  - There is a short list of “sin businesses” where QOF investment is not allowed.
- If you are attracting QOF investment, your OZ is working!

**8996** | **Qualified Opportunity Fund** | OMB No. 1545-0123  
 (Rev. December 2021) | Department of the Treasury | Internal Revenue Service | Go to [www.irs.gov/Form8996](http://www.irs.gov/Form8996) for instructions and the latest information. | Attachment Sequence No. **996**

Name \_\_\_\_\_ Employer identification number \_\_\_\_\_

**Part I General Information and Certification**

1 Type of taxpayer:  Corporation  Partnership

2 Is the taxpayer organized for the purpose of investing in qualified opportunity zone (QOZ) property (other than another qualified opportunity fund (QOF))?  
 **No. STOP.** Do not file this form with your tax return.  
 **Yes.** Go to line 3.

3 Is this the first period the taxpayer is a QOF?  
 **Yes.** By checking this box, you certify that by the end of the taxpayer's first QOF year, the taxpayer's organizing documents include a statement of the entity's purpose of investing in QOZ property and a description of the trade or business(es) that the QOF is engaged in either directly or through a QOZ business. See instructions.  
 **No.**

4 If you checked "Yes" on line 3, provide the first month in which the fund chose to be a QOF . . . . . ▶ \_\_\_\_\_

5 Did any investor dispose of, in part or in whole, their equity interest in the fund?  
 **Yes.** Attach a statement with each investor's name, the date of disposal, and the interest that they transferred during the QOF's tax year.  
 **No.**

6  Do not check this box. Reserved for future use.

**Part II Investment Standard Calculation**

7 Enter the amount from Part VI, line 2, for total QOZ property held by the taxpayer on the last day of the first 6-month period of the taxpayer's tax year. See instructions if Part I, line 3, is "Yes" . . . . .	7
8 Total assets held by the taxpayer on the last day of the first 6-month period of the taxpayer's tax year. See instructions if Part I, line 3, is "Yes" . . . . .	8
9 Divide line 7 by line 8 . . . . .	9
10 Enter the amount from Part VI, line 3, for total QOZ property held by the taxpayer on the last day of the taxpayer's tax year . . . . .	10
11 Total assets held by the taxpayer on the last day of the taxpayer's tax year . . . . .	11
12 Divide line 10 by line 11 . . . . .	12

**Part III Qualified Opportunity Fund Average and Penalty**

13 Add lines 9 and 12 . . . . .

14 Divide line 13 by 2.0. See instructions if Part I, line 3, is "Yes" . . . . .

15 Is line 14 equal to or more than 0.90?  
 **Yes.** Enter -0- on this line and file this form with your tax return.  
 **No.** The fund has failed to maintain the investment standard. Complete Part IV to figure the penalty. Enter the penalty from line 8 of Part IV on this line. See instructions . . . . .

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 378203 Form **8996** (Rev. 12-2021)

# How will QOFs be different under OZ 2.0?



- How the funds are managed is understood much better this round, and this rollout isn't being done retroactively like it was in 2017.



- Portfolios of projects are now being assembled, and fund managers will have a “running start” this round.

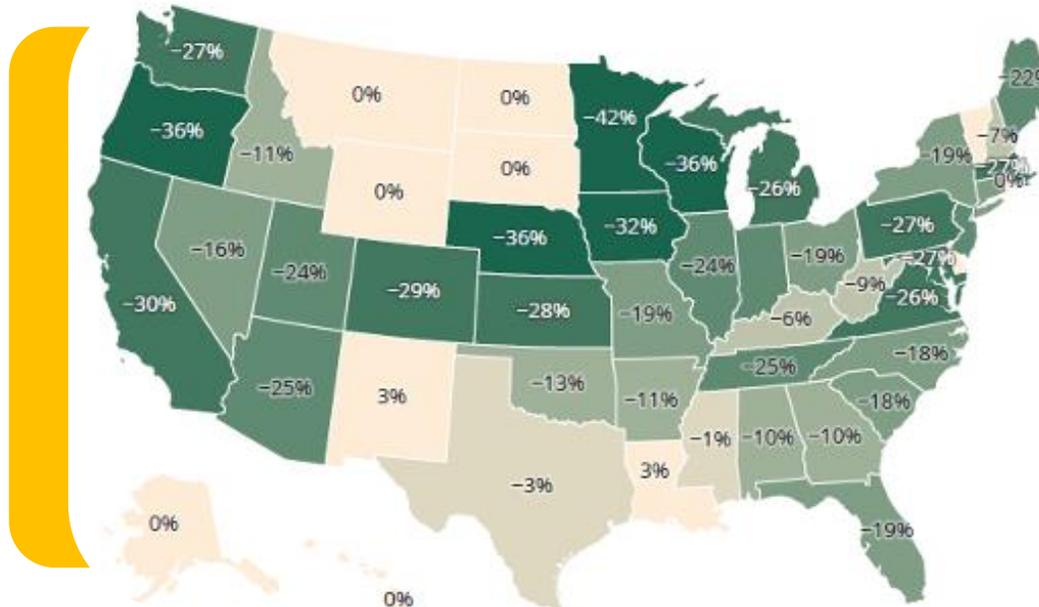


- They have the benefit of hindsight to know where infrastructure has been built to support investment.

# How will OZ 2.0 Census Tracts be Different?

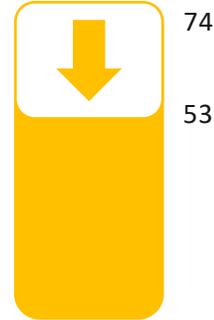
## Expected percent change in OZ census tracks

Between TCJA-and OBBBA-era designations

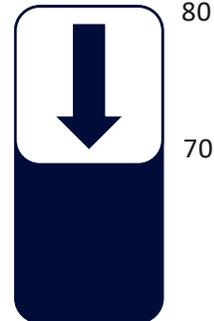


“In general, the changes enacted under the OBBBA will require governors to be **more selective** than in the 2018 designation cycle.”

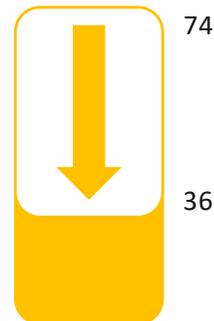
*-Economic Innovation Group OZ 2.0 Playbook*



Total nominations go down by 28%



Median family income benchmark

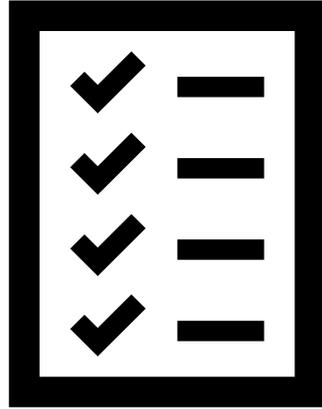


Half of existing OZs in KS won't re-qualify

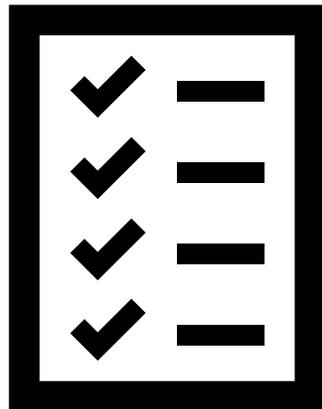
# What should I be Doing Now?

- Verify whether any existing OZ you promote is working.
  - Strict application of the question “Did this OZ attract Qualified Opportunity Fund money?” and be prepared to demonstrate it in the re-nomination process.
  - Whether a project had QOF money on it may require a discussion with the developer.
- Verify that your Census tracts will re-qualify under OBBB.
- Build the business case for each Census tract nominee that a fund manager can buy into.
  - Identify viable and eligible projects in need of funding.
  - Provide examples of favorable zoning changes if applicable.
  - Illustrate planned (or built) infrastructure in the tract since 2018.
  - If applicable, explain how investment activity between 2018-2026 would continue 2027-2036.
  - Develop a marketing plan for your tract.
  - Other examples of “leaning in” to make the tract attractive to investment.

# How will QOFs be different under OZ 2.0?



Did a QOF invest in your Opportunity Zone between 2018-2026?



What is your position on nominating zones in your community?