



KANSAS
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Opportunity Zones 2.0 - KEDA

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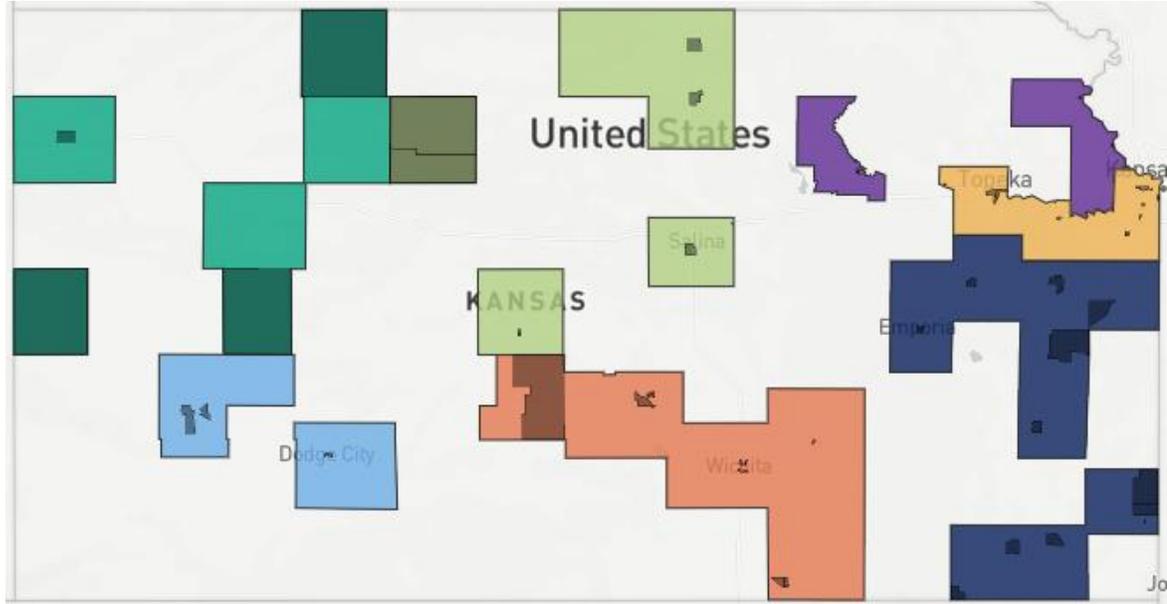
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Opportunity Zones Today



- 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
 Form (Rev. December 2021) | Department of the Treasury | Internal Revenue Service | Go to www.irs.gov/Form8996 for instructions and the latest information. | Attach to your tax return. See instructions. | 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

15

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 378200 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.

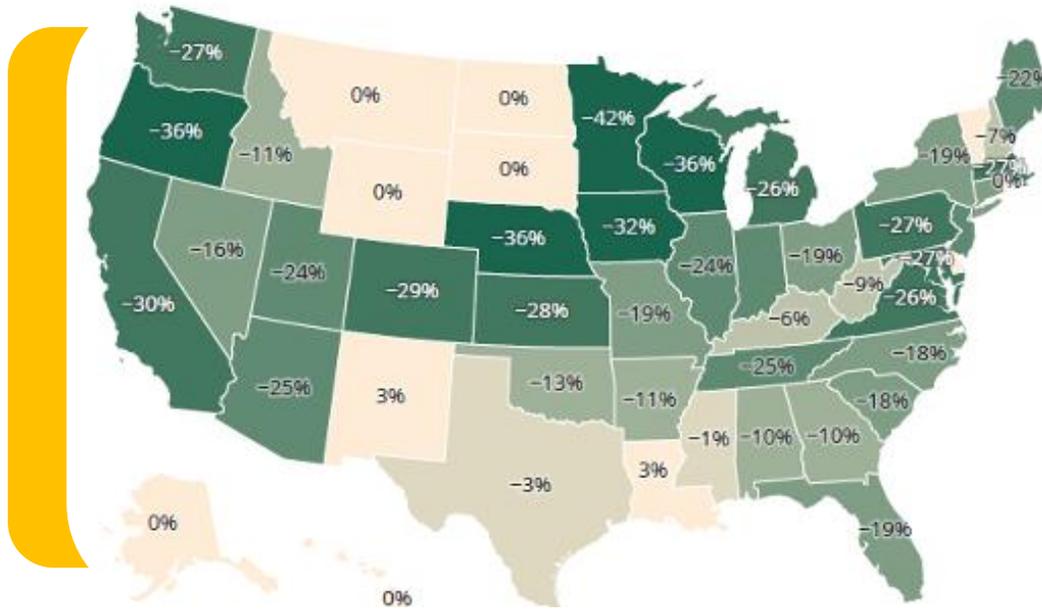


- They have the benefit of hindsight to know where infrastructure has been built to support investment.

How will OZ 2.0 Census Tracts be Different?

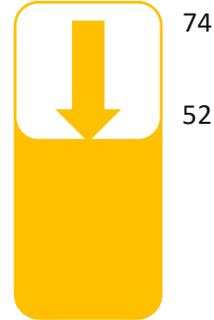
Expected percent change in OZ census tracks

Between TCJA-and OBBBA-era designations

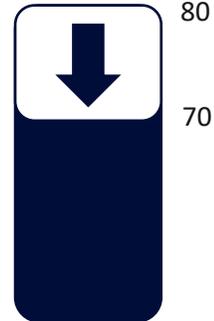


“In general, the changes enacted under the OBBBA will require governors to be **more selective** than in the 2018 designation cycle.”

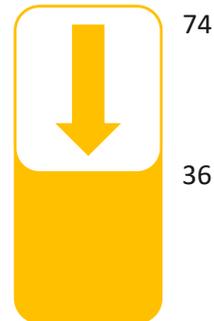
-Economic Innovation Group OZ 2.0 Playbook



Total nominations go down by 30%



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 OB3B.
 - <https://opportunityzones.com/tools/oz-2-eligibility-map/>
- For each tract, build a business case 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.

Looking Ahead and Staying Current

Now	Validate the performance of existing OZs in your community. Call out alignments with the Kansas Framework For Growth
Feb 2026	U.S. Treasury publishes their list of eligible census tracts for OZ 2.0 https://opportunityzones.com/tools/oz-2-eligibility-map/
June 1, 2026	Nominations due to KS Commerce
July 2026	Nomination window opens for governors to submit qualified tracts to U.S. Treasury
Nov 2026	Treasury certifies OZs for 2027-2036
Jan 2027	OZ 2.0 begins

Kansas Commerce website for updates, mapping tools and workshops.

<https://www.kansascommerce.gov/es/opportunity-zones-2-0//>

Let's Talk

www.kansascommerce.gov

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