

118TH CONGRESS
1ST SESSION

H. R. 5761

To amend the Internal Revenue Code of 1986 to modify the rules relating to qualified opportunity zones, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 27, 2023

Mr. KELLY of Pennsylvania (for himself, Mr. KILDEE, Mrs. MILLER of West Virginia, and Ms. SEWELL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to modify the rules relating to qualified opportunity zones, and for other purposes.

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 Zones
5 Transparency, Extension, and Improvement Act”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

8 (1) The 8,764 population census tracts des-
9 igned as qualified opportunity zones under section

1 1400Z–1 of the Internal Revenue Code of 1986 span
2 across all 50 States, the District of Columbia, and
3 5 Territories and overwhelmingly represent commu-
4 nities that have been economically left behind as the
5 American economy has surged forward.

6 (2) The average poverty rate of residents in
7 qualified opportunity zones is 26.4 percent.

8 (3) Forty-four percent of qualified opportunity
9 zones are persistently poor, meaning they are census
10 tracts in which the poverty rate has exceeded 20
11 percent since at least 1990.

12 (4) According to the latest available data from
13 the Department of the Treasury through 2020, op-
14 portunity zone investment reached at least 3,800
15 communities, or 48 percent of all designated census
16 tracts.

17 (5) The communities that received opportunity
18 zone investment are economically distressed places.
19 On average, they rank in the 87th percentile for pov-
20 erty, 81st for median household income, and 80th
21 for unemployment.

22 (6) The total amount of opportunity zone equity
23 invested was at least \$48 billion through the end of
24 2020, raised from an estimated 21,000 individuals

1 and 4,000 corporate investors deployed into 7,800
 2 Qualified Opportunity Funds.

3 (7) The Investing in Opportunity Act, which
 4 first proposed opportunity zones, originally incor-
 5 porated reporting requirements to evaluate the im-
 6 pact the incentive will have on designated commu-
 7 nities and it is critical that Congress act to reinstate
 8 reporting requirements as soon as possible.

9 **TITLE I—MODIFICATION OF POP-**
 10 **ULATION CENSUS TRACTS**
 11 **DESIGNATED AS QUALIFIED**
 12 **OPPORTUNITY ZONES**

13 **SEC. 101. MODIFICATION OF POPULATION CENSUS TRACTS**
 14 **DESIGNATED AS QUALIFIED OPPORTUNITY**
 15 **ZONES.**

16 Section 1400Z–1 of the Internal Revenue Code of
 17 1986 is amended by adding at the end the following new
 18 subsection:

19 “(g) **DISQUALIFICATION OF CERTAIN POPULATION**
 20 **CENSUS TRACTS.—**

21 “(1) **IN GENERAL.—**Except as provided in para-
 22 graph (5), any disqualified census tract shall not be
 23 treated as a qualified opportunity zone for any pe-
 24 riod after the date that is 30 days after the date on

1 which the Secretary publishes the final list of dis-
2 qualified census tracts under paragraph (4)(B).

3 “(2) REPLACEMENT ZONES.—

4 “(A) IN GENERAL.—The chief executive of-
5 ficer of a State shall nominate additional popu-
6 lation census tracts to replace any population
7 census tract the designation of which as a
8 qualified opportunity zone was terminated by
9 reason of paragraph (1). Except as otherwise
10 provided in this paragraph, the rules of sub-
11 sections (b), (c), (d), and (f) shall apply to any
12 population census tract nominated under this
13 paragraph.

14 “(B) CONSULTATION.—No population cen-
15 sus tract nominated under subparagraph (A)
16 may be designated as a qualified opportunity
17 zone unless the chief executive officer of the
18 State certifies in writing to the Secretary that
19 the chief executive officer has consulted with
20 the chief executive officer (or the equivalent) of
21 each local jurisdiction in which the population
22 census tract is located.

23 “(C) SPECIAL RULES.—For purposes of
24 this subchapter—

1 “(i) any population census tract which
2 is a disqualified census tract (as defined in
3 paragraph (3) without regard to subpara-
4 graph (A)(i) thereof) may not be nomi-
5 nated as a qualified opportunity zone
6 under this paragraph,

7 “(ii) the determination period with re-
8 spect to a nomination under subparagraph
9 (A) shall be the 45-day period beginning
10 on the date on which the Secretary pub-
11 lishes the final list of disqualified census
12 tracts under paragraph (4)(B), as ex-
13 tended under subsection (b)(2), and

14 “(iii) the period for which any such
15 designation is in effect shall be the period
16 beginning on the date such designation
17 takes effect and ending on the last day of
18 the 10th calendar year beginning on or
19 after the designation date as a qualified
20 opportunity zone for the population census
21 tract which it is replacing as such a zone
22 by reason of the termination under para-
23 graph (1).

24 “(D) REGULATIONS AND GUIDANCE.—The
25 Secretary shall prescribe such regulations or

1 other guidance as may be necessary or appro-
2 priate to carry out the purposes of this para-
3 graph.

4 “(3) DISQUALIFIED CENSUS TRACT.—For pur-
5 poses of this subsection—

6 “(A) IN GENERAL.—The term ‘disqualified
7 census tract’ means any population census tract
8 which—

9 “(i) was designated as a qualified op-
10 portunity zone before the date of the en-
11 actment of this subsection, and

12 “(ii) is described in subparagraph (B)
13 or (C).

14 “(B) HIGH MEDIAN FAMILY INCOME
15 TRACTS.—

16 “(i) IN GENERAL.—Except as pro-
17 vided in clauses (ii) and (iii), a population
18 census tract is described in this subpara-
19 graph if the median family income for such
20 tract exceeds 130 percent of the national
21 median family income as published by De-
22 partment of Housing and Urban Develop-
23 ment or the CDFI Fund.

24 “(ii) EXCEPTION.—Clause (i) shall
25 not apply if the poverty rate of such popu-

1 lation census tract (excluding students en-
2 rolled in an institution of higher education
3 (as defined in section 101 of the Higher
4 Education Act of 1965)) is equal to or
5 greater than 30 percent.

6 “(iii) REQUEST TO RETAIN DESIGNA-
7 TION FOR CERTAIN POPULATION CENSUS
8 TRACTS.—Clause (i) shall not apply if the
9 Secretary, upon a request of the chief exec-
10 utive officer of the State made not later
11 than 60 days after the date the Secretary
12 publishes the list described in paragraph
13 (4)(A), determines that—

14 “(I) the designation of such pop-
15 ulation census tract was consistent
16 with the purposes of this subchapter,
17 or

18 “(II) the median family income
19 for the population census tract does
20 not exceed 130 percent of the national
21 median family income as published by
22 Department of Housing and Urban
23 Development or the CDFI Fund.

24 “(C) ELECTION TO INCLUDE ADDITIONAL
25 POPULATION CENSUS TRACTS.—

1 “(i) IN GENERAL.—A population cen-
2 sus tract is described in this subparagraph
3 if the Secretary, upon the request of the
4 chief executive officer of the State sub-
5 mitted not later than 60 days after the
6 date the Secretary publishes the list de-
7 scribed in paragraph (4)(A), determines
8 that the continued designation of such pop-
9 ulation census tract as a qualified oppor-
10 tunity zone is not consistent with the pur-
11 poses of this subchapter.

12 “(ii) CONSULTATION.—No population
13 census tract nominated under clause (i)
14 may be designated as a qualified oppor-
15 tunity zone unless the chief executive offi-
16 cer of the State certifies in writing to the
17 Secretary that the chief executive officer
18 has consulted with the chief executive offi-
19 cer (or the equivalent) of each local juris-
20 diction in which the population census
21 tract is located.

22 “(iii) REGULATIONS AND GUID-
23 ANCE.—Not later than the date on which
24 the Secretary publishes the final list of dis-
25 qualified census tracts under paragraph

1 (4)(B), the Secretary shall issue regula-
2 tions or guidance with respect to the cri-
3 teria to be used for making a determina-
4 tion by the Secretary under clause (i).

5 “(4) IDENTIFICATION AND PUBLICATION OF
6 DISQUALIFIED CENSUS TRACTS.—

7 “(A) INITIAL IDENTIFICATION.—As soon
8 as practical, but not later than 12 months after
9 the date of the enactment of this subsection,
10 the Secretary shall make public—

11 “(i) a list of population census tracts
12 described in paragraph (3)(B) (determined
13 without regard to clause (iii) thereof), and

14 “(ii) a list of population census tracts
15 which are low-income communities and
16 were not designated as a qualified oppor-
17 tunity zone before the date of enactment of
18 this subsection.

19 “(B) FINAL LIST OF DISQUALIFIED CEN-
20 SUS TRACTS.—Not later than 105 days after
21 the date the Secretary publishes the list de-
22 scribed in subparagraph (A), the Secretary shall
23 make public a final list of disqualified census
24 tracts.

1 “(5) RULES FOR QUALIFIED PREEXISTING IN-
2 VESTMENTS.—

3 “(A) IN GENERAL.—For purposes of this
4 subchapter, section 1400Z–2 shall be applied
5 without regard to paragraph (1) with respect to
6 any qualified preexisting trade or business.

7 “(B) QUALIFIED PREEXISTING TRADE OR
8 BUSINESS.—For purposes of this paragraph—

9 “(i) IN GENERAL.—The term ‘quali-
10 fied preexisting trade or business’ means
11 any trade or business of a qualified oppor-
12 tunity fund or qualified opportunity zone
13 business which meets the requirements of
14 clauses (ii) and (iii) of section 1400Z–
15 2(d)(3)(A) and with respect to which—

16 “(I) before the date of the enact-
17 ment of this subsection, a registration
18 statement under the Securities Act of
19 1933 (15 U.S.C. 77a et seq.) is filed
20 or any comparable offering memo-
21 randum or similar disclosure docu-
22 ment is provided in reliance on section
23 230.506 of title 17, Code of Federal
24 Regulations (or successor regulations),
25 promulgated under the Securities Act

1 of 1933, that discloses the intent of
2 such trade or business to invest in the
3 disqualified census tract,

4 “(II) before the first date on
5 which the disqualified census tract ap-
6 pears on any list published under
7 paragraph (4), investments in the dis-
8 qualified census tract are made or
9 agreed pursuant to a binding agree-
10 ment to be made which—

11 “(aa) aggregate more than
12 \$250,000, and

13 “(bb) have been designated
14 in writing for the use in, or the
15 development of, such trade or
16 business, or

17 “(III) the qualified opportunity
18 fund or qualified opportunity zone
19 business is determined by the Sec-
20 retary to have relied on the designa-
21 tion of the disqualified census tract as
22 a qualified opportunity zone and to
23 have suffered or is expected to suffer
24 a loss as a result of the application of
25 paragraph (1).

1 “(ii) TRADE OR BUSINESS.—The term
2 ‘trade or business’ includes any activity in-
3 tended to qualify as a trade or business
4 within the meaning of section 162.

5 “(C) REGULATIONS AND GUIDANCE.—The
6 Secretary shall prescribe such regulations or
7 guidance as may be necessary or appropriate to
8 carry out the purposes of this paragraph, in-
9 cluding guidance to prevent speculative invest-
10 ment solely for the purpose of falling within the
11 definition of a qualified preexisting trade or
12 business.

13 “(6) DETERMINATION OF POPULATION CENSUS
14 TRACT DATA.—For purposes of applying this sub-
15 section, in determining whether a population census
16 tract meets any qualification with respect to poverty
17 rate or any aspect of median income, such deter-
18 mination shall be made using the most recent census
19 data that has been published by the Bureau of the
20 Census as of the date of enactment of this sub-
21 section.”.

1 **SEC. 102. CERTAIN FORMER INDUSTRIAL TRACTS PER-**
 2 **MITTED TO BE DESIGNATED AS OPPOR-**
 3 **TUNITY ZONES.**

4 Section 1400Z-1 of the Internal Revenue Code of
 5 1986, as amended by section 101, is amended by adding
 6 at the end the following new subsection:

7 “(h) SPECIAL RULE FOR FORMER INDUSTRIAL
 8 TRACTS CONTIGUOUS TO DESIGNATED OPPORTUNITY
 9 ZONES.—

10 “(1) IN GENERAL.—For purposes of this chap-
 11 ter, the term ‘qualified opportunity zone’ means an
 12 population census tract which is described in para-
 13 graph (2) and designated as a qualified opportunity
 14 zone under this subsection.

15 “(2) POPULATION CENSUS TRACT DE-
 16 SCRIBED.—A population census tract is described in
 17 this subparagraph if—

18 “(A) the tract—

19 “(i) has a population of zero,

20 “(ii) was previously used for industrial
 21 purposes and is a brownfield industrial
 22 site, and

23 “(iii) is contiguous, including by
 24 water, to a population census tract on at
 25 least 1 side that has been designated as a

1 qualified opportunity zone under this sec-
2 tion, or

3 “(B) the tract was merged, as a result of
4 the 2020 decennial census, into a census tract
5 described in subparagraph (A)(iii) and met all
6 requirements described in subparagraph (A).

7 “(3) DESIGNATION.—For purposes of para-
8 graph (1), a population census tract that is de-
9 scribed in paragraph (2) is designated as a qualified
10 opportunity zone if—

11 “(A) not later than 30 days after the date
12 of the enactment of this subsection, the chief
13 executive officer of the State in which the tract
14 is located—

15 “(i) nominates the tract for designa-
16 tion as a qualified opportunity zone, and

17 “(ii) notifies the Secretary in writing
18 of such nomination, and

19 “(B) not later than 30 days after receiving
20 the notification under subparagraph (A)(ii), the
21 Secretary certifies such nomination and des-
22 ignates such tract as a qualified opportunity
23 zone.

24 “(4) DETERMINATION OF CENSUS TRACT IN-
25 FORMATION.—For purposes of this subsection, the

1 boundaries and population of a census tract shall be
2 determined based on United States Census Bureau
3 data for the 2010 decennial census.

4 “(5) NUMBER OF DESIGNATIONS.—Population
5 census tracts designated as a qualified opportunity
6 zone under this subsection shall not be taken into
7 account for purposes of subsection (d).

8 “(6) DEFINITIONS.—For purposes of this sub-
9 section—

10 “(A) BROWNFIELD INDUSTRIAL SITE.—
11 The term ‘brownfield industrial site’ means a
12 population census tract that includes real prop-
13 erty the expansion, redevelopment, or reuse of
14 which may be complicated by the presence or
15 potential presence of a hazardous substance or
16 pollutant or contaminant, including real prop-
17 erty covered by a prospective purchaser agree-
18 ment or similar agreement entered into by the
19 Environmental Protection Agency or the appro-
20 priate State authority.

21 “(B) HAZARDOUS SUBSTANCE.—The term
22 ‘hazardous substance’ means—

23 “(i) a hazardous substance as defined
24 in section 101(14) of the Comprehensive
25 Environmental Response, Compensation,

1 and Liability Act of 1980 (42 U.S.C.
2 9601(14)), or

3 “(ii) petroleum or a petroleum prod-
4 uct.

5 “(C) POLLUTANT OR CONTAMINANT.—The
6 term ‘pollutant or contaminant’ has the mean-
7 ing given such term in section 101(33) of such
8 Act.”.

9 **TITLE II—INFORMATION**
10 **REPORTING REQUIREMENTS**

11 **SEC. 201. INFORMATION REPORTING ON QUALIFIED OP-**
12 **PORTUNITY FUNDS.**

13 (a) IN GENERAL.—

14 (1) FILING REQUIREMENTS FOR FUNDS AND
15 INVESTORS.—Subpart A of part III of subchapter A
16 of chapter 61 of the Internal Revenue Code of 1986
17 is amended by inserting after section 6039J the fol-
18 lowing new sections:

19 **“SEC. 6039K. RETURNS WITH RESPECT TO QUALIFIED OP-**
20 **PORTUNITY FUNDS.**

21 “(a) IN GENERAL.—Every qualified opportunity fund
22 shall file an annual return (at such time and in such man-
23 ner as the Secretary may prescribe) containing the infor-
24 mation described in subsection (b).

1 “(b) INFORMATION FROM QUALIFIED OPPORTUNITY
2 FUNDS.—The information described in this subsection
3 is—

4 “(1) the name, address, and taxpayer identifica-
5 tion number of the qualified opportunity fund,

6 “(2) whether the qualified opportunity fund is
7 organized as a corporation or a partnership,

8 “(3) the value of the total assets held by the
9 qualified opportunity fund as of each date described
10 in section 1400Z–2(d)(1),

11 “(4) the value of all qualified opportunity zone
12 property held by the qualified opportunity fund on
13 each such date,

14 “(5) with respect to each investment held by
15 the qualified opportunity fund in qualified oppor-
16 tunity zone stock or a qualified opportunity zone
17 partnership interest—

18 “(A) the name, address, and taxpayer
19 identification number of the corporation in
20 which such stock is held or the partnership in
21 which such interest is held, as the case may be,

22 “(B) each North American Industry Clas-
23 sification Code that applies to the trades or
24 businesses conducted by such corporation or
25 partnership,

1 “(C) the population census tracts in which
2 the qualified opportunity zone business property
3 of such corporation or partnership is located,

4 “(D) the amount of the investment in such
5 stock or partnership interest as of each date de-
6 scribed in section 1400Z-2(d)(1),

7 “(E) the value, as determined under regu-
8 lations issued by the Secretary, of tangible
9 property held by such corporation or partner-
10 ship on each such date which is owned by such
11 corporation or partnership,

12 “(F) the value, as determined under regu-
13 lations issued by the Secretary, of tangible
14 property held by such corporation or partner-
15 ship on each such date which is leased by such
16 corporation or partnership,

17 “(G) the information described in para-
18 graph (6)(E) with respect to buildings with 1 or
19 more residential rental units which are held by
20 such corporation or partnership, and

21 “(H) the approximate average monthly
22 number of full-time equivalent employees of
23 such corporation or partnership for the year
24 (within numerical ranges identified by the Sec-
25 retary) or such other indication of the employ-

1 ment impact of such corporation or partnership
2 as determined appropriate by the Secretary,
3 which shall account for direct and indirect, tem-
4 porary and permanent jobs,

5 “(6) with respect to the items of qualified op-
6 portunity zone business property held by the quali-
7 fied opportunity fund—

8 “(A) the North American Industry Classi-
9 fication Code that applies to the trades or busi-
10 nesses in which such property is held,

11 “(B) the population census tract in which
12 the property is located,

13 “(C) whether the property is owned or
14 leased,

15 “(D) the aggregate value, as determined
16 under regulations issued by the Secretary, of
17 the items of qualified opportunity zone property
18 held by the qualified opportunity fund as of
19 each date described in section 1400Z-2(d)(1),
20 and

21 “(E) in the case of each building with 1 or
22 more residential rental units—

23 “(i) the total number of such residen-
24 tial rental units,

1 “(ii) the number of such units occu-
2 pied by tenants with an income of 50 per-
3 cent or less of area median income ad-
4 justed for family size,

5 “(iii) the number of such units occu-
6 pied by tenants with an income in excess
7 of 50 percent, but not exceeding 60 per-
8 cent of area median income adjusted for
9 family size, and

10 “(iv) whether—

11 “(I) at least 20 percent of such
12 units are occupied by tenants de-
13 scribed in clause (ii), or

14 “(II) at least 40 percent of such
15 units are occupied by tenants with in-
16 come averaging not more than 60 per-
17 cent of area median income adjusted
18 for family size,

19 “(7) the approximate average monthly number
20 of full-time equivalent employees for the year of the
21 trades or businesses of the qualified opportunity
22 fund in which qualified opportunity zone business
23 property is held (within numerical ranges identified
24 by the Secretary) or such other indication of the em-
25 ployment impact of such trades or businesses as de-

1 terminated appropriate by the Secretary, which shall
2 account for direct and indirect, temporary and per-
3 manent jobs,

4 “(8) with respect to each person who disposed
5 of an investment in the qualified opportunity fund
6 during the year—

7 “(A) the name and taxpayer identification
8 number of such person,

9 “(B) the date or dates on which the invest-
10 ment disposed was acquired, and

11 “(C) the date or dates on which any such
12 investment was disposed and the amount of the
13 investment disposed, and

14 “(9) such other information as the Secretary
15 may require.

16 “(c) STATEMENT REQUIRED TO BE FURNISHED TO
17 INVESTORS.—Every person required to make a return
18 under subsection (a) shall furnish to each person whose
19 name is required to be set forth in such return by reason
20 of subsection (b)(8) a written statement showing—

21 “(1) the name, address and phone number of
22 the information contact of the person required to
23 make such return, and

1 “(2) the information required to be shown on
2 such return by reason of subsection (b)(8) with re-
3 spect to such person.

4 “(d) DEFINITIONS.—For purposes of this section—

5 “(1) IN GENERAL.—Any term used in this sec-
6 tion which is also used in subchapter Z of chapter
7 1 shall have the meaning given such term under
8 such subchapter.

9 “(2) FULL-TIME EQUIVALENT EMPLOYEES.—
10 The term ‘full-time equivalent employees’ means,
11 with respect to any month, the sum of—

12 “(A) the number of full-time employees (as
13 defined in section 4980H(c)(4)) for the month,
14 plus

15 “(B) the number of employees determined
16 (under rules similar to the rules of section
17 4980H(c)(2)(E)) by dividing the aggregate
18 number of hours of service of employees who
19 are not full-time employees for the month by
20 120.

21 **“SEC. 6039L. INFORMATION ON PERSONS INVESTING IN**
22 **QUALIFIED OPPORTUNITY FUNDS.**

23 “(a) IN GENERAL.—Every taxpayer who makes an
24 investment in a qualified opportunity fund shall provide
25 an annual statement (at such time and in such manner

1 as the Secretary may prescribe) containing the informa-
2 tion described in subsection (b) with respect to each such
3 investment.

4 “(b) INFORMATION FROM INVESTORS.—The infor-
5 mation described in this subsection is—

6 “(1) the name, address, and taxpayer identifica-
7 tion number of the taxpayer,

8 “(2) the name and taxpayer identification num-
9 ber of the qualified opportunity fund in which the
10 investment was made,

11 “(3) a description of such investment,

12 “(4) the date such investment was made,

13 “(5) the amount of short-term and long-term
14 capital gains for which an election was made under
15 section 1400Z–2(a)(1) for such investment,

16 “(6) in the case of any disposition of any in-
17 vestment in a qualified opportunity fund during the
18 taxable year—

19 “(A) a description of the investment dis-
20 posed,

21 “(B) the date of the disposition, and

22 “(C) the amount of any previously deferred
23 short-term and long-term capital gain included
24 in income as a result of such disposition, and

1 “(7) such other information as the Secretary
2 may require.

3 “(c) DEFINITIONS.—Any term used in this section
4 which is also used in subchapter Z of chapter 1 shall have
5 the meaning given such term under such subchapter.

6 **“SEC. 6039M. INFORMATION REQUIRED FROM CERTAIN**
7 **QUALIFIED OPPORTUNITY ZONE BUSI-**
8 **NESSES.**

9 “(a) IN GENERAL.—Every applicable qualified oppor-
10 tunity zone business shall furnish to the qualified oppor-
11 tunity fund described in subsection (b) a written state-
12 ment in such manner and setting forth such information
13 as the Secretary may by regulations prescribe for purposes
14 of enabling such qualified opportunity fund to meet the
15 requirements of section 6039(b)(5).

16 “(b) APPLICABLE QUALIFIED OPPORTUNITY ZONE
17 BUSINESS.—For purposes of subsection (a), the term ‘ap-
18 plicable qualified opportunity zone business’ means any
19 qualified opportunity zone business (as defined in section
20 1400Z–2(d)(3))—

21 “(1) which is a trade or business of a qualified
22 opportunity fund,

23 “(2) in which a qualified opportunity fund holds
24 qualified opportunity zone stock, or

1 “(3) in which a qualified opportunity fund holds
2 a qualified opportunity zone partnership interest.

3 “(c) OTHER TERMS.—Any term used in this section
4 which is also used in subchapter Z of chapter 1 shall have
5 the meaning given such term under such subchapter.”.

6 (2) PENALTIES.—

7 (A) IN GENERAL.—Part II of subchapter
8 B of chapter 68 of the Internal Revenue Code
9 of 1986 is amended by inserting after section
10 6725 the following new section:

11 **“SEC. 6726. FAILURE TO COMPLY WITH INFORMATION RE-**
12 **PORTING REQUIREMENTS RELATING TO**
13 **QUALIFIED OPPORTUNITY FUNDS.**

14 “(a) INFORMATION RETURNS BY QUALIFIED OPPOR-
15 TUNITY FUNDS.—

16 “(1) IN GENERAL.—In the case of any person
17 required to file a return under section 6039K fails
18 to file a complete and correct return under such sec-
19 tion in the time and in the manner prescribed there-
20 for, such person shall pay a penalty of \$500 for each
21 day during which such failure continues.

22 “(2) LIMITATION.—

23 “(A) IN GENERAL.—The maximum penalty
24 under this subsection on failures with respect to
25 any 1 return shall not exceed \$10,000.

1 “(B) LARGE QUALIFIED OPPORTUNITY
2 FUNDS.—In the case of any failure described in
3 paragraph (1) with respect to a fund the gross
4 assets of which (determined on the last day of
5 the taxable year) are in excess of \$10,000,000,
6 subparagraph (A) shall be applied by sub-
7 stituting ‘\$50,000’ for ‘\$10,000’.

8 “(3) REDUCTION WHERE CORRECTION IN SPEC-
9 IFIED PERIOD.—If any failure described in para-
10 graph (1) is corrected on or before the day 60 days
11 after the due date (including extensions) for filing
12 the return, the penalty imposed by paragraph (1)
13 shall be \$500 in lieu of the amount determined
14 under such paragraph.

15 “(4) DE MINIMIS ERRORS.—If—

16 “(A) there are one or more such failures
17 described in paragraph (1) relating to an incor-
18 rect dollar amount, and no single amount in
19 error differs from the correct amount by more
20 than \$100, or

21 “(B) there are one or more such failures
22 described in paragraph (1) relating to a non-nu-
23 merical amount and such error is inconsequen-
24 tial, then no correction shall be required, and,
25 for purposes of this section, such statement

1 shall be treated as having been filed with all
2 correct required information.

3 “(5) PENALTY IN CASES OF INTENTIONAL DIS-
4 REGARD.—If a failure described in paragraph (1) is
5 due to intentional disregard, then—

6 “(A) paragraph (1) shall be applied by
7 substituting ‘\$2,500’ for ‘\$500’,

8 “(B) paragraph (2)(A) shall be applied by
9 substituting ‘\$50,000’ for ‘\$10,000’, and

10 “(C) paragraph (2)(B) shall be applied by
11 substituting ‘\$250,000’ for ‘\$50,000’.

12 “(6) INFLATION ADJUSTMENT.—

13 “(A) IN GENERAL.—In the case of any
14 failure relating to a return required to be filed
15 in a calendar year beginning after 2023, each
16 of the dollar amounts in paragraphs (1), (2),
17 (3), and (5) shall be increased by an amount
18 equal to such dollar amount multiplied by the
19 cost-of-living adjustment determined under sec-
20 tion 1(f)(3) for the calendar year determined by
21 substituting ‘calendar year 2022’ for ‘calendar
22 year 2016’ in subparagraph (A)(ii) thereof.

23 “(B) ROUNDING.—

24 “(i) IN GENERAL.—If the \$500 dollar
25 amount in paragraph (1), (3), or (5)(A) or

1 the \$2,500 amount in paragraph (5)(A),
2 after being increased under subparagraph
3 (A), is not a multiple of \$10, such dollar
4 amount shall be rounded to the next lowest
5 multiple of \$10.

6 “(ii) ASSET THRESHOLD.—If the
7 \$10,000,000 dollar amount in paragraph
8 (2)(B), after being increased under sub-
9 paragraph (A), is not a multiple of
10 \$10,000, such dollar amount shall be
11 rounded to the next lowest multiple of
12 \$10,000.

13 “(iii) OTHER DOLLAR AMOUNTS.—If
14 any dollar amount in paragraph (2), (3),
15 or (5) (other than any amount to which
16 clause (i) or (ii) applies), after being in-
17 creased under subparagraph (A), is not a
18 multiple of \$1,000, such dollar amount
19 shall be rounded to the next lowest mul-
20 tiple of \$1,000.

21 “(b) STATEMENTS BY INVESTORS.—

22 “(1) IN GENERAL.—If—

23 “(A) any person is required to file a state-
24 ment under section 6039L for any period, and

25 “(B) fails—

1 “(i) to file such statement on or be-
2 fore the required filing date, or

3 “(ii) fails to include all of the infor-
4 mation required to be shown on the state-
5 ment or includes incorrect information,

6 such person shall pay a penalty of \$5,000.

7 “(2) REDUCTION WHERE CORRECTION IN SPEC-
8 IFIED PERIOD.—If any failure described in para-
9 graph (1)(B) is corrected on or before the day 60
10 days after the due date (including extensions) for fil-
11 ing the return, the penalty imposed by paragraph
12 (1) shall be \$500 in lieu of the amount determined
13 under such paragraph.

14 “(3) DE MINIMIS ERRORS.—If—

15 “(A) there are one or more such failures
16 described in paragraph (1)(B)(ii) relating to an
17 incorrect dollar amount, and no single amount
18 in error differs from the correct amount by
19 more than \$100, or

20 “(B) there are one or more such failures
21 described in paragraph (1)(B)(ii) relating to a
22 non-numerical amount and such error is incon-
23 sequential,

24 then no correction shall be required, and, for pur-
25 poses of this section, such statement shall be treated

1 as having been filed with all correct required infor-
2 mation.

3 “(4) PENALTY IN CASES OF INTENTIONAL DIS-
4 REGARD.—If one or more failures described in para-
5 graph (1)(B) are due to intentional disregard of the
6 filing requirement (or the correct information report-
7 ing requirement), then, with respect to each such
8 failure—

9 “(A) paragraphs (2) and (3) shall not
10 apply, and

11 “(B) the amount of the penalty determined
12 under paragraph (1) shall be \$25,000.

13 “(5) INFLATION ADJUSTMENT.—

14 “(A) IN GENERAL.—In the case of any
15 failure relating to a statement required to be
16 filed in a calendar year beginning after 2023,
17 each of the dollar amounts in paragraphs (1),
18 (2), and (4) shall be increased by an amount
19 equal to such dollar amount multiplied by the
20 cost-of-living adjustment determined under sec-
21 tion 1(f)(3) for the calendar year determined by
22 substituting ‘calendar year 2022’ for ‘calendar
23 year 2016’ in subparagraph (A)(ii) thereof.

24 “(B) ROUNDING.—The amount of any in-
25 crease under subparagraph (A) shall be round-

1 ed to the nearest multiple of \$100 (\$10 in the
2 case of any increase in the amount under para-
3 graph (2)).”.

4 (B) INFORMATION REQUIRED TO BE SENT
5 TO OTHER TAXPAYERS.—Section 6724(d)(2) of
6 such Code is amended—

7 (i) by striking “or” at the end of sub-
8 paragraph (II),

9 (ii) by striking the period at the end
10 of the first subparagraph (JJ) (relating to
11 section 6226) and inserting a comma,

12 (iii) by redesignating the second sub-
13 paragraph (JJ) (relating to section 6050Y)
14 as subparagraph (KK),

15 (iv) by striking the period at the end
16 of subparagraph (KK) (as redesignated by
17 clause (iii)) and inserting a comma, and

18 (v) by inserting after subparagraph
19 (KK) (as so redesignated) the following
20 new subparagraphs:

21 “(LL) section 6039K(e) (relating to dis-
22 position of qualified opportunity fund invest-
23 ments), or

1 “(MM) section 6039M (relating to infor-
 2 mation required from certain qualified oppor-
 3 tunity zone businesses).”.

4 (3) ELECTRONIC FILING.—Section 6011(e) of
 5 such Code is amended by adding at the end the fol-
 6 lowing new paragraph:

7 “(8) QUALIFIED OPPORTUNITY FUNDS.—Not-
 8 withstanding paragraphs (1) and (2), any return
 9 filed by a qualified opportunity fund shall be filed on
 10 magnetic media or other machine-readable form.”.

11 (4) CLERICAL AMENDMENTS.—

12 (A) The table of sections for subpart A of
 13 part III of subchapter A of chapter 61 of such
 14 Code is amended by inserting after the item re-
 15 lating to section 6039J the following new items:

“Sec. 6039K. Returns with respect to qualified opportunity funds.

“Sec. 6039L. Information on persons investing in qualified opportunity funds.

“Sec. 6039M. Information required from certain qualified opportunity zone
 businesses.”.

16 (B) The table of sections for part II of
 17 subchapter B of chapter 68 of such Code is
 18 amended by inserting after the item relating to
 19 section 6725 the following new item:

“Sec. 6726. Failure to comply with information reporting requirements relating
 to qualified opportunity funds.”.

20 (5) EFFECTIVE DATE.—The amendments made
 21 by this subsection shall apply to taxable years begin-
 22 ning after the date of the enactment of this Act.

1 (b) REPORTING OF DATA ON OPPORTUNITY ZONE
2 TAX INCENTIVES.—

3 (1) IN GENERAL.—As soon as practical after
4 the date of the enactment of this Act, and annually
5 thereafter, the Secretary of the Treasury, or the
6 Secretary's delegate (referred to in this section as
7 the "Secretary"), in consultation with the Director
8 of the Bureau of the Census and such other agencies
9 as the Secretary determines appropriate, shall make
10 publicly available a report on qualified opportunity
11 funds.

12 (2) INFORMATION INCLUDED.—The report re-
13 quired under paragraph (1) shall include, to the ex-
14 tent available, the following information:

15 (A) The number of qualified opportunity
16 funds.

17 (B) The aggregate dollar amount of assets
18 held in qualified opportunity funds.

19 (C) The aggregate dollar amount of invest-
20 ments made by qualified opportunity funds in
21 qualified opportunity fund property across each
22 industry class under the North American Indus-
23 try Classification Code.

24 (D) The percentage of population census
25 tracts designated as qualified opportunity zones

1 that have received qualified opportunity fund
2 investments.

3 (E) For each population census tract des-
4 ignated as a qualified opportunity zone, the ap-
5 proximate average monthly number of full-time
6 equivalent employees of the qualified oppor-
7 tunity zone businesses in such qualified oppor-
8 tunity zone for the preceding 12-month period
9 (within numerical ranges identified by the Sec-
10 retary) or such other indication of the employ-
11 ment impact of such qualified opportunity fund
12 businesses as determined appropriate by the
13 Secretary.

14 (F) The percentage of the total amount of
15 investments made directly or indirectly by quali-
16 fied opportunity funds in—

17 (i) qualified opportunity zone business
18 property which is real property; and

19 (ii) other qualified opportunity zone
20 business property.

21 (G) For each population census tract, the
22 aggregate approximate number of residential
23 units resulting from investments made by quali-
24 fied opportunity funds in real property.

1 (H) The aggregate dollar amount of in-
2 vestments made by qualified opportunity funds
3 in each population census tract.

4 (3) ADDITIONAL INFORMATION.—

5 (A) IN GENERAL.—Beginning with the re-
6 port submitted under paragraph (1) for the 6th
7 year after the date of the enactment of this Act,
8 the Secretary shall include in such report the
9 impacts and outcomes of a designation of a
10 population census tract as a qualified oppor-
11 tunity zone as measured by economic indicators,
12 such as job creation, poverty reduction, new
13 business starts, and other metrics as deter-
14 mined by the Secretary.

15 (B) SEMI-DECENNIAL INFORMATION.—

16 (i) IN GENERAL.—In the case of any
17 report submitted under paragraph (1) in
18 the 6th year or the 11th year after the
19 date of the enactment of this Act, the Sec-
20 retary shall include the following informa-
21 tion:

22 (I) For population census tracts
23 designated as a qualified opportunity
24 zone, a comparison (based on aggre-
25 gate information) of the factors listed

1 in clause (iii) between the 5-year pe-
2 riod ending on the date of the enact-
3 ment of Public Law 115–97 and the
4 most recent 5-year period for which
5 data is available.

6 (II) For population census tracts
7 designated as a qualified opportunity
8 zone, a comparison (based on aggre-
9 gate information) of the factors listed
10 in clause (iii) for the most recent 5-
11 year period for which data is available
12 between such population census tracts
13 and a similar population census tracts
14 that were not designated as a quali-
15 fied opportunity zone.

16 (ii) CONTROL GROUPS.—For purposes
17 of clause (i), the Secretary may combine
18 population census tracts into such groups
19 as the Secretary determines appropriate
20 for purposes of making comparisons.

21 (iii) FACTORS LISTED.—The factors
22 listed in this paragraph are the following:

23 (I) The unemployment rate.

24 (II) The number of persons
25 working in the population census

1 tract, including the percentage of such
2 persons who were not residents in the
3 population census tract in the pre-
4 ceding year.

5 (III) Individual, family, and
6 household poverty rates.

7 (IV) Median family income of
8 residents of the population census
9 tract.

10 (V) Demographic information on
11 residents of the population census
12 tract, including age, income, edu-
13 cation, race, and employment.

14 (VI) The average percentage of
15 income of residents of the population
16 census tract spent on rent annually.

17 (VII) The number of residences
18 in the population census tract.

19 (VIII) The rate of home owner-
20 ship in the population census tract.

21 (IX) The average value of resi-
22 dential property in the population cen-
23 sus tract.

1 (X) The number of affordable
2 housing units in the population census
3 tract.

4 (XI) The number and percentage
5 of residents in the population census
6 tract that were not employed for the
7 preceding year.

8 (XII) The number of new busi-
9 ness starts in the population census
10 tract.

11 (XIII) The distribution of em-
12 ployees in the population census tract
13 by North American Industry Classi-
14 fication Code.

15 (4) PROTECTION OF IDENTIFIABLE RETURN IN-
16 FORMATION.—In making reports required under this
17 subsection, the Secretary—

18 (A) shall establish appropriate procedures
19 to ensure that any amounts reported do not dis-
20 close taxpayer return information that can be
21 associated with any particular taxpayer or com-
22 petitive or proprietary information,

23 (B) if necessary to protect taxpayer return
24 information, may combine information required

1 with respect to individual population census
2 tracts into larger geographic areas, and

3 (C) shall treat any violation of this para-
4 graph as a violation of section 6103.

5 (5) DEFINITIONS.—Any term used in this sub-
6 section which is also used in subchapter Z of chapter
7 1 of the Internal Revenue Code of 1986 shall have
8 the meaning given such term under such subchapter.

9 **TITLE III—MODIFICATION OF**
10 **RULES FOR INVESTMENTS IN**
11 **QUALIFIED OPPORTUNITY**
12 **FUNDS**

13 **SEC. 301. EXTENSION OF DEFERRAL AND INVESTMENT PE-**
14 **RIOD.**

15 (a) IN GENERAL.—Subparagraph (B) of sections
16 1400Z–2(a)(2) and 1400Z–2(b)(1) of the Internal Rev-
17 enue Code of 1986 is amended by striking “December 31,
18 2026” and inserting “December 31, 2028”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to amounts invested after Decem-
21 ber 22, 2017.

1 **SEC. 302. MODIFICATION OF DEFINITION OF QUALIFIED**
2 **OPPORTUNITY FUND.**

3 (a) IN GENERAL.—Section 1400Z–2(d)(1) of the In-
4 ternal Revenue Code of 1986 is amended to read as fol-
5 lows:

6 “(1) IN GENERAL.—The term ‘qualified oppor-
7 tunity fund’ means—

8 “(A) any qualified feeder fund, or

9 “(B) any other investment vehicle if—

10 “(i) such investment vehicle is orga-
11 nized as a corporation or a partnership for
12 the purpose of investing in qualified oppor-
13 tunity zone property (other than another
14 qualified opportunity fund), and

15 “(ii) such investment vehicle holds at
16 least 90 percent of its assets in qualified
17 opportunity zone property, determined by
18 the average of the percentage of qualified
19 opportunity zone property held in the fund
20 as measured—

21 “(I) on the last day of the first
22 6-month period of the taxable year of
23 the fund, and

24 “(II) on the last day of the tax-
25 able year of the fund.”.

1 (b) QUALIFIED FEEDER FUND.—Section 1400Z–
2 2(d) of such Code is amended by adding at the end the
3 following new paragraph:

4 “(4) QUALIFIED FEEDER FUND.—The term
5 ‘qualified feeder fund’ means any investment vehicle
6 that invests in a qualified opportunity fund if—

7 “(A) such investment vehicle is organized
8 as a domestic partnership for the purpose of in-
9 vesting in one more corporations or partner-
10 ships described in paragraph (1)(B),

11 “(B) all investments made in the invest-
12 ment vehicle are made in cash, and

13 “(C) not less than 95 percent of the assets
14 of which are equity investments in corporations
15 or partnerships described in paragraph (1)(B)
16 as measured—

17 “(i) on the last day of the first 6-
18 month period of the taxable year of the
19 feeder fund, and

20 “(ii) on the last day of the tax- able
21 year of the feeder fund.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall take effect on the date of the enactment
24 of this Act.

1 **TITLE IV—STATE AND**
2 **COMMUNITY DYNAMISM FUND**

3 **SEC. 401. STATE AND COMMUNITY DYNAMISM FUND.**

4 (a) ESTABLISHMENT.—There is established a State
5 and Community Dynamism Fund to support public and
6 private investment, including capital for qualified oppor-
7 tunity zones designated under section 1400Z–1(a) of the
8 Internal Revenue Code of 1986, and existing small busi-
9 ness and community economic development programs and
10 incentives, to underserved businesses and communities.

11 (b) ALLOCATION.—

12 (1) IN GENERAL.—Funds appropriated to the
13 State and Community Dynamism Fund shall be allo-
14 cated to States.

15 (2) FORMULA.—

16 (A) IN GENERAL.—The Secretary of the
17 Treasury shall determine the allocation by allo-
18 cating Federal funds among the States based
19 on the proportion of prime working age adults
20 not employed in each State bears to the total of
21 prime working age adults not employed for all
22 the States.

23 (B) MINIMUM ALLOCATION.—The Sec-
24 retary shall adjust the allocations under sub-
25 paragraph (A) for each State to the extent nec-

1 essary to ensure that no State receives less than
2 0.9 percent of the Federal funds.

3 (3) REQUIREMENT.—To receive an allocation
4 under paragraph (2), a State shall certify that the
5 State will use funds to—

6 (A) build capacity in high-poverty, under-
7 banked, rural, and otherwise underserved com-
8 munities;

9 (B) advance investment in minority-,
10 women, and veteran-owned businesses;

11 (C) address workforce development in stra-
12 tegic sectors of the State’s economy; and

13 (D) align priorities to support affordably
14 priced housing.

15 (4) SUBALLOCATION.—A State may spend
16 funds allocated under this subsection directly or sub-
17 allocate the funds to other entities, including units
18 of general local government and nonprofits.

19 (5) ELIGIBLE USES.—Funds allocated under
20 this subsection shall be used for any eligible use in
21 a low-income community, as defined in section
22 45D(e) of the Internal Revenue Code of 1986, in-
23 cluding for—

24 (A) operating support and community ca-
25 pacity building, with priority to given to oper-

1 ating support and community capacity building
2 in qualified opportunity zones, including—

3 (i) personnel to support activities, in-
4 cluding coordination, education, and in-
5 vestment;

6 (ii) community-level capacity building,
7 training, and strategic planning;

8 (iii) outreach, technical assistance,
9 and professional services to underserved
10 businesses and underserved opportunity
11 zone fund managers;

12 (B) high-impact projects, including—

13 (i) predevelopment costs associated
14 with individual Qualified Opportunity Zone
15 projects; and

16 (ii) risk mitigation for qualified oppor-
17 tunity zone funds; and

18 (C) administrative costs, not to exceed 3
19 percent of the funds allocated.

20 (6) ELIGIBLE PROJECTS.—Funds used for
21 high-impact project activities, as described in para-
22 graph (5)(B), shall only be used for—

23 (A) business with less than 200 employees;

24 (B) projects that provide community goods
25 or services, including health care, social serv-

1 ices, healthy food access, education, broadband,
2 and culture; or

3 (C) affordable housing with at least 50
4 percent of the units that are affordable to fami-
5 lies making less than 80 percent of area median
6 family income.

7 (7) PRIORITIZATION.—A State that receives
8 funds under this section must prioritize activities
9 that—

10 (A) promote investment in projects that
11 substantially support minorities, as defined in
12 section 1204(c) of the Financial Institutions
13 Reform, Recovery, and Enforcement Act of
14 1989 (12 U.S.C. 1811 note), or other targeted
15 populations, as defined in section 103 of the
16 Riegle Community Development and Regulatory
17 Improvement Act of 1994 (12 U.S.C. 4702);
18 and

19 (B) have demonstrated meaningful engage-
20 ment with community stakeholders.

21 (c) AUTHORIZATION OF APPROPRIATIONS.—There is
22 authorized to be appropriated \$1,000,000,000 to carry out
23 this section.

24 (d) GAO AUDIT.—The Comptroller General of the
25 United States shall perform an annual audit of the Fund

1 and submit to the appropriate committees of Congress a
2 report containing the results of the audit.

3 (e) ANNUAL REPORT.—Not later than March 31 of
4 each year, each State receiving funds under this title shall
5 submit to the Secretary a report on the performance of
6 the State and participating entities in the State that in-
7 cludes—

8 (1) an accounting of the expenditure of funds
9 received by the State, including on administrative or
10 indirect costs;

11 (2) information on the number and characteris-
12 tics of participants served under this title; and

13 (3) a summary describing the training, capac-
14 ity-building, and technical assistance offered by the
15 State and participating entities.

16 (f) DEFINITIONS.—In this section:

17 (1) PRIME WORKING AGE ADULTS NOT EM-
18 PLOYED.—The term “prime working age adults not
19 employed” means, with respect to a State, the share
20 of the adult population aged 25 to 54 that was not
21 employed for the most recent year for which data is
22 available.

1 (2) STATE.—The term “State” includes the
2 District of Columbia, any territory or possession of
3 the United States, and any Indian Tribe.

○