

The federal Tax Cuts and Jobs Act of 2017 established Opportunity Zones to spur private investment in distressed communities throughout the country. Under the Tax Cuts and Jobs Act, Governors or chief executive officers of States, D.C., and U.S. possessions were directed to nominate census tracts within their jurisdictions to be Opportunity Zones. Investments in these areas will benefit from tax incentives. In order to designate Opportunity Zones, Governors and chief executive officers were required to make nominations by March 21st or request a single 30-day extension. Kentucky opted to make nominations by the March 21<sup>st</sup> deadline.

Only “low income” or certain “contiguous” census tracts are eligible for designation as an “Opportunity Zone”. No more than 25% of the low-income tracts in a State may be designated as Opportunity Zones. Kentucky nominated the maximum number of Opportunity Zones allowed.

Eligible low-income census tracts are tracts in which:

(1) The tract has a poverty rate of at least 20%; or

(2)(A) For a census tract in a metropolitan area, the tract’s median family income does not exceed 80% of the greater of (A) the metropolitan area median family income or (B) statewide median family income; or

(2)(B) For a census tract in a non-metropolitan area, the tract does not exceed 80% of the statewide median family income. However, in the case of a census tract located within a high migration rural county, low-income is defined by reference to 85% of statewide median family income.

A “high migration rural county” is any rural county that, during the 20-year period ending with the year in which the most recent census was conducted, has a net outmigration of inhabitants from the county of at least 10% of the county population at the beginning of such period.

Census tracts that are not low-income communities can be designated as Opportunity Zones if the tract is contiguous with a low income community that is designated as an Opportunity Zone and the median family income of the tract does not exceed 125% of the median family income of the low-income community with which the tract is contiguous. However, not more than 5% of the tracts designated as Opportunity Zones in a state may be designated under this provision.

A determination that a tract is an Opportunity Zone shall remain in effect for ten calendar years.

Guidance from the U.S. Department of Treasury regarding investments in Opportunity Zones is still being released. The Kentucky Cabinet for Economic Development will post up to date information as it becomes available on this website, KYOZ.org.