



SOUTH DEPT. OF
CAROLINA COMMERCE

QUALIFIED OPPORTUNITY ZONES 2.0

SOUTH CAROLINA'S ROLE IN CREATING LONG-TERM ECONOMIC
IMPACT LEVERAGING FEDERAL INCENTIVES



TODAY'S AGENDA

May 21, 2026

1. Introductions
2. Qualified Opportunity Zone ("QOZ" or "OZ") Program Overview
3. South Carolina's Role in the Process
4. Next Steps
5. Question & Answers





OUR TEAM

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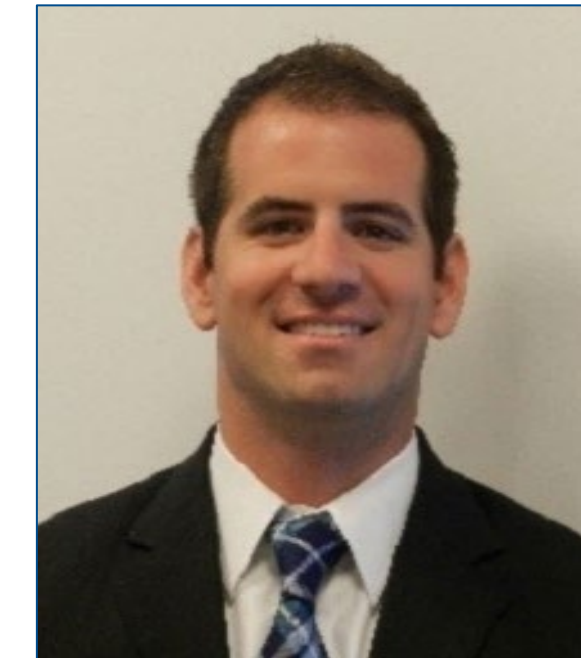
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QOZ strategic
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QOZ PROGRAM OVERVIEW



QUALIFIED OPPORTUNITY ZONES: A permanent economic development tool

The Federal Tax Cuts and Jobs Act of 2017 created the Qualified Opportunity Zone program, to encourage investors to locate in state-identified census tracts. The One Big Beautiful Bill Act (OBBBA) makes this program permanent and provides states the opportunity to nominate to new zones - or renominate exiting zones - for potential economic impact. New zones will go into effect January 1, 2027.

The Opportunity Zone program is no longer a one-off federal program. It is now a permanent feature of federal economic development policy. States will have recurring opportunities to designate and refresh zones, rather than being locked into decisions made under tight timelines years ago.

The key question: How does South Carolina use the QOZ program purposefully and effectively?



CHANGES UNDER THE OBBBA

The OBBBA introduces several updates to the Opportunity Zone program.

- ✓ Makes the Opportunity Zone (OZ) program permanent and requires that OZs be redesignated every 10 years.
- ✓ Establishes new reporting requirements for Qualified Opportunity Funds and directs the U.S. Treasury to publish annual reports on Opportunity Zone investment activity and outcomes, increasing transparency around the program's impact.
- ✓ Provides a new incentive structure, including a five-year rolling deferral beginning on the date of investment and a 10% step-up in basis for investments held for five years.
 - Updates to eligibility criteria by defining low-income communities as census tracts that meet either:
 - > A median family income below 70% of the applicable state or metropolitan median or;
 - > A poverty rate of at least 20% and a median family income below 125% of the applicable median.
 - Eliminates the “contiguous tracts” exception from the first iteration of the program.
- ✓ Enhances the incentive for investment in rural Opportunity Zones
 - Defines a rural area as any area other than:
 - > A city or town with a population of greater than 50,000 and;
 - > An urbanized area adjacent to a city or town with a population in excess of 50,000.



OZ 1.0 vs. OZ 2.0 TRACTS

PREVIOUSLY ELIGIBLE TRACTS

Why may a previously eligible site no longer qualify?

- Narrowed definition of **low-income community** reduces the number of qualifying tracts.
- Contiguous (bordering) tracts are no longer eligible unless they independently meet criteria.

Metric / Criteria	QOZ 1.0 (2017 – 2028)	QOZ 2.0 (2027 onward)
Median Family Income (“MFI”)	Tract MFI cannot exceed 80% of the statewide or metropolitan area median	Tract MFI cannot exceed 70% of the statewide or metropolitan area median
Poverty & Income Alternative	Poverty rate of $\geq 20\%$, OR MFI does not exceed 125% of the area median	Poverty rate of $\geq 20\%$, AND MFI does not exceed 125% of the area median.
Contiguous Tract Rule	Allowed up to 5% of designated zones to be adjacent, higher-income tracts if contiguous to a true LIC	Completely eliminated

Does a previously designated OZ automatically carry forward?

- No, there is no automatic carryover or grandfathering.
- All tracts must be re-evaluated and re-nominated under updated criteria.



HOW DO OZs WORK?

Step 1: Create Capital Gains

An investor sells assets (stocks, real estate) and generates a capital gain.

Step 2: Reinvest in Fund

Within 180 days, the investor places the gains into a Qualified Opportunity Fund (QOF).

Step 3: Invest in Zones

The QOF invests in Qualified Opportunity Zone property, businesses or real estate.

Step 4: Tax Benefits under Opportunity Zone 2.0

- Deferral
- Reduction of Deferred Gains
- Exclusion (10+ years)

Investing in Opportunity Zones

Turn capital gains into long-term tax advantages



Get Tax Benefits

✓
Deferral
Taxes deferred
up to 5 years
On qualifying
investments

✓
Reduction
Reduce taxable
capital gains
up to 10% or 30%
for rural investments

✓
Exclusion
Elimiate taxes
on growth
No capital gains
tax after 10+ years

Example Outcome





TYPICAL OZ INVESTORS





ECONOMIC DEVELOPMENT OZ PARTICIPATION

Opportunity Zones create a framework for businesses, communities and investors to work together to drive economic growth and unlock private capital.

States and local communities can use Opportunity Zones to attract private investment without new public spending, catalyze redevelopment in distressed or underutilized areas, support job creation and tax base growth, and complement existing incentives to improve overall competitiveness.

Communities should follow this process to attract investment:

- Participate in the Opportunity Zone nominating process to recommend census tracts in your market.
- Work to engage investors to attract targeted projects to your community.
- Structure deals in a way to benefit the community, QOFs and QOZ businesses.

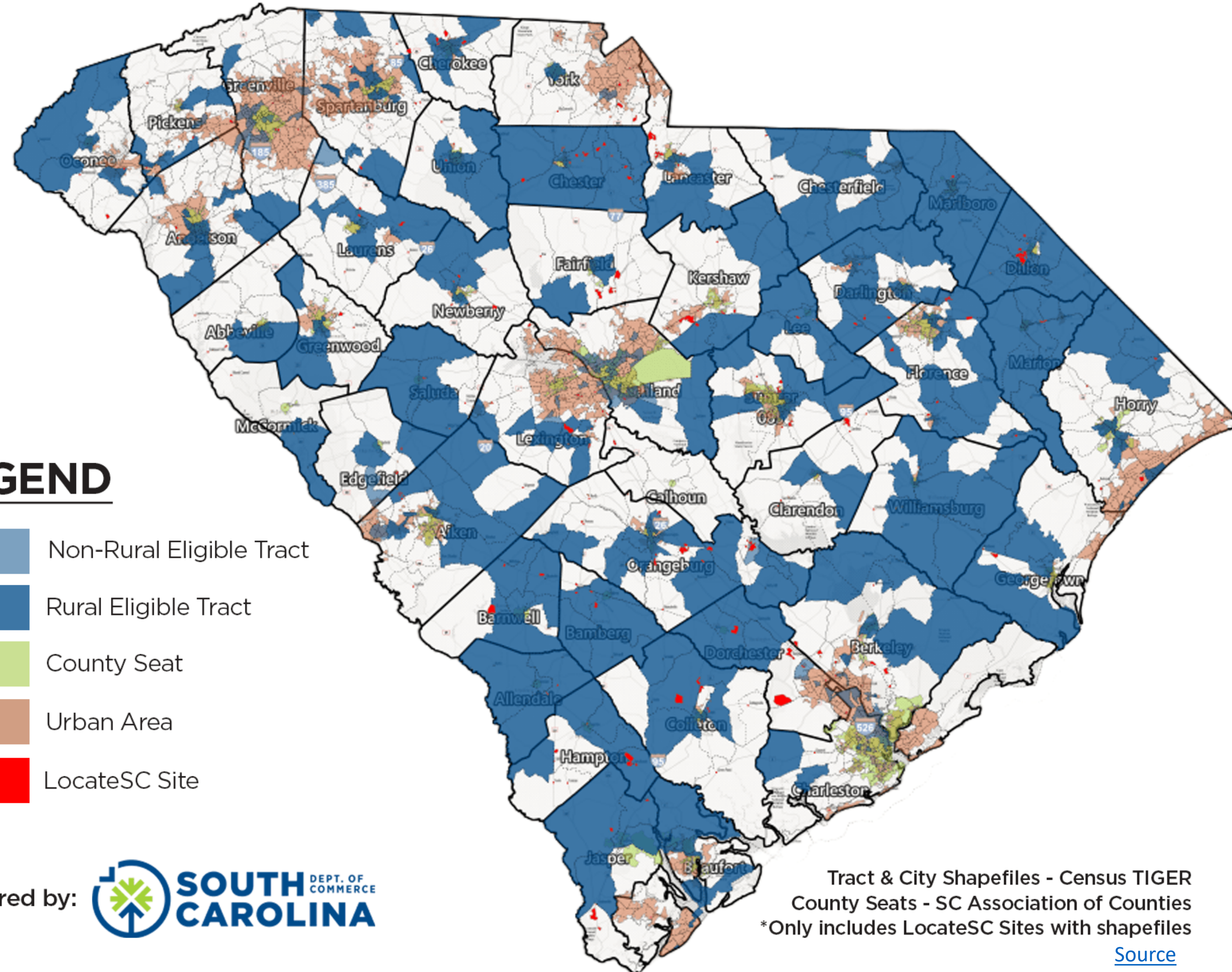


WHY OZS MATTER IN SOUTH CAROLINA






- > Permanent program gives South Carolina influence over capital flows
- > Allows alignment with priority regions and industries
- > Supports infrastructure-driven growth strategies
- > Especially impactful for rural and smaller-tier markets
- > Enhanced incentives for rural Opportunity Zones create a unique and scalable mechanism to attract private investment



2026 OPPORTUNITY ZONE ELIGIBILITY TRACTS



LEGEND

-  Non-Rural Eligible Tract
-  Rural Eligible Tract
-  County Seat
-  Urban Area
-  LocateSC Site

Prepared by:  **SOUTH CAROLINA** DEPT. OF COMMERCE

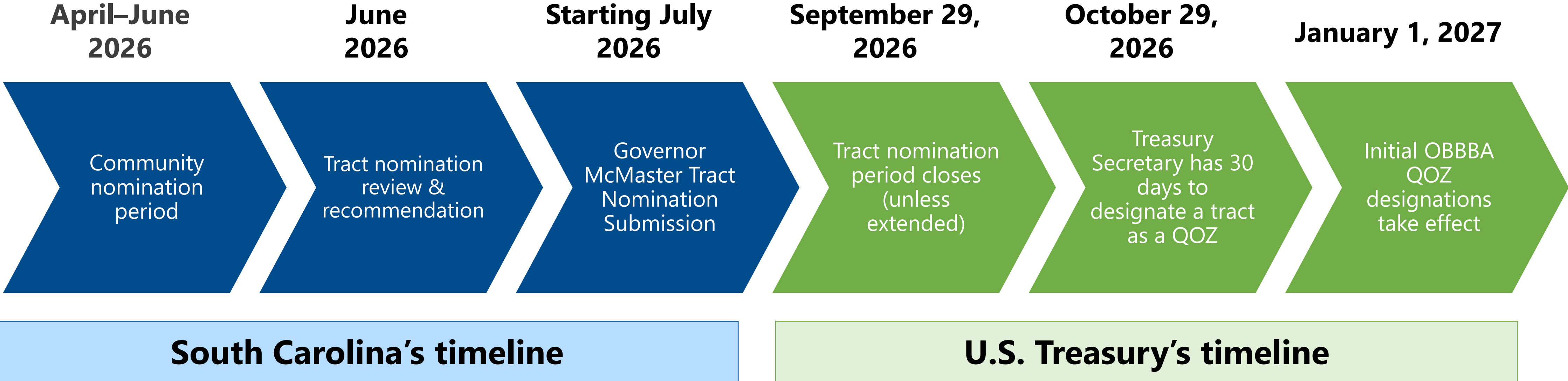
Tract & City Shapefiles - Census TIGER
County Seats - SC Association of Counties
*Only includes LocateSC Sites with shapefiles
[Source](#)

ANY QUESTIONS?

OUR ROLE IN THE PROCESS



OZ NOMINATION TIMELINE





COMMUNITY NOMINATION PROCESS

NOMINATIONS DUE JUNE 15, 2026

Objective: Collect nominations and input from local communities across South Carolina.

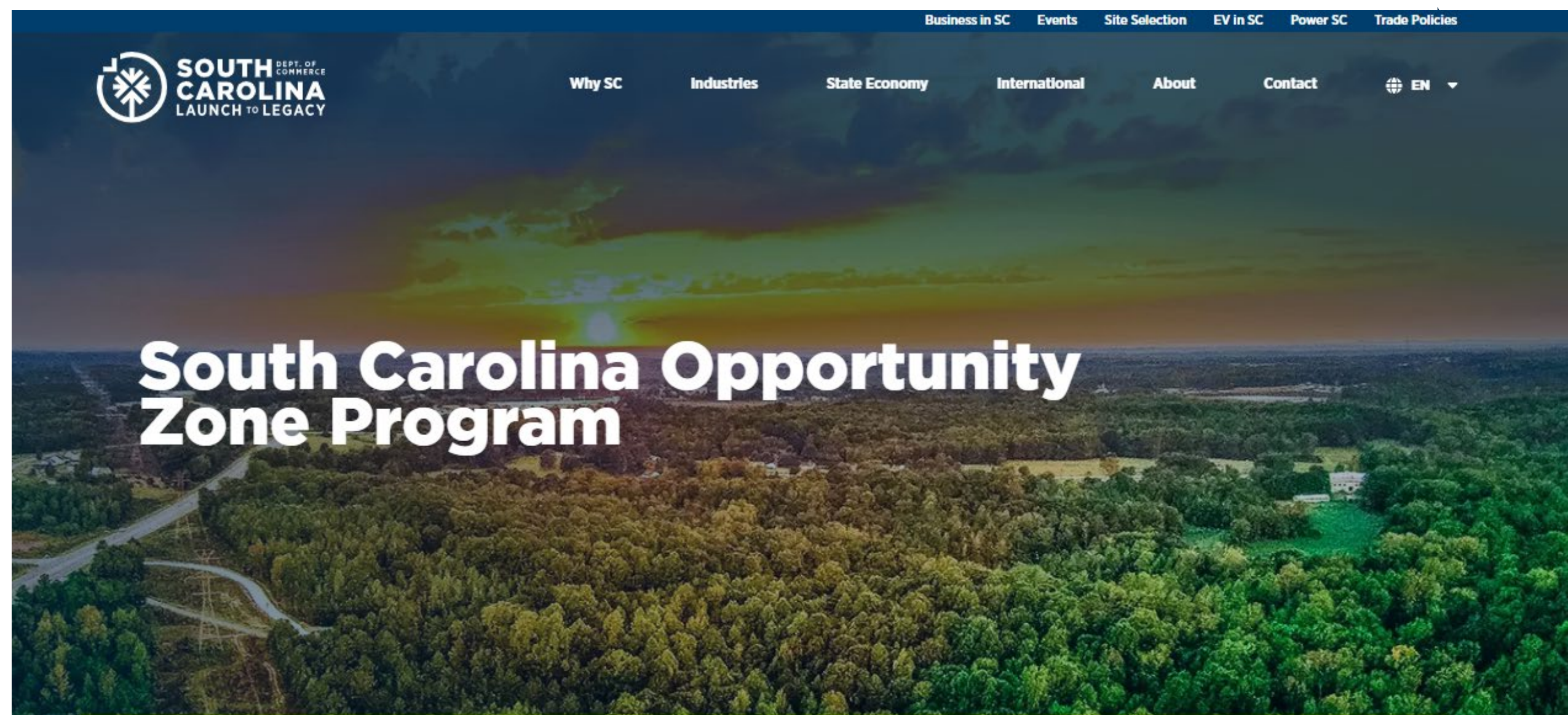
During the 60-day nomination period, Department of Commerce will:

- Work with local bodies to host regional information meetings and a virtual workshop for local communities to ask questions and learn about the nomination process.
- Develop a list of candidate census tracts for potential nomination.
- Compare candidate tracts to previously designated Opportunity Zones to validate eligibility and investment potential.
- Identify centers of economic growth aligned with South Carolina's economic development strategy.
- Catalogue key infrastructure and investment activity that may influence Opportunity Zone potential, including:
 - Market-ready industrial sites and megasites
 - Utility infrastructure
 - Transportation infrastructure
 - Broadband availability
 - Housing development activity



NOMINATION PROCESS OVERVIEW

NOMINATIONS DUE JUNE 15, 2026



Submit a census tract for consideration

If you would like to submit a census tract for consideration as an Opportunity Zone, please complete the form below by June 15, 2026.

[SUBMIT A CENSUS TRACT](#) ➔

[SEE PROPOSED TIMELINE](#) ➔



Program Background

The Opportunity Zone (OZ) program is a federal initiative designed to encourage economic development and job creation through long-term private investment in designated low-income urban and rural communities.

Originally enacted as part of the Tax Cuts and Jobs Act of 2017, the program provides federal tax incentives for taxpayers who reinvest realized capital gains into **Qualified Opportunity Funds (QOF)**, which in turn invest in designated **Opportunity Zones**.

Under the recently enacted One Big Beautiful Bill Act (OBBBA) signed by President Trump—the Opportunity Zone program has been made permanent and modernized to support long-term and targeted investment. Investors may benefit from the deferral of capital gains and additional tax advantages tied to the duration of their investment, encouraging sustained capital formation in underserved communities.

On this page

- [Opportunity Zones 2.0](#)
- [Changes Under OBBBA](#)
- [Participation Overview](#)
- [Upcoming Engagement Opportunities](#)
- [Proposed Timeline](#)
- [How Opportunity Zones Work](#)
- [South Carolina Opportunity Zones Interactive Map](#)



NOMINATION PROCESS OVERVIEW

NOMINATIONS DUE JUNE 15, 2026

Part 1: Census Tract Key Metrics

Eligible Census Tract Number

(Must be an 11 Digit U.S. Treasury Eligible Tract)

Census Tract County

Census Tract Metropolitan or Micropolitan Statistical Area

Is the Census Tract Urban or Rural

Urban Rural

(based on the official definition)

Part 2: Applicant Contact Information

Applicant organization

Primary contact name

Title

Organization

Mailing address

Email address

Cell phone number



NOMINATION PROCESS OVERVIEW

NOMINATIONS DUE JUNE 15, 2026

Part 3: QOZ Recommendation Narrative

Primary intended use for the QOZ

{e.g., real estate, manufacturing, housing, healthcare}

Secondary or phased uses anticipated

{e.g., real estate, manufacturing, housing, healthcare}

Why is this proposed QOZ more competitive than other considered census tracts?

{limit to no more than 3 paragraphs}

What are the target industries in the proposed QOZ?

{limit to no more than 2 paragraphs}

What are strong location attributes in the proposed QOZ?

{limit to no more than 3 paragraphs}



WHAT MAKES A STRONG TRACT NOMINATION?

NOMINATIONS DUE JUNE 15, 2026

Strong nominations will contain the following:

- Clear primary and secondary use for the tract (i.e., real estate, manufacturing, housing, healthcare), as well as targeted industries
- Well-defined rationale for proposed tract vs. other tracts in your territory
 - Examples may include available sites, underutilized workforce or past successful projects
- Understanding of location attributes and what makes your proposed tract attractive to investors
 - Examples may include transportation infrastructure, favorable real estate factors or economic growth metrics



NOMINATION REVIEW & RECOMMENDATION

JUNE 2026

Objective: Evaluate nominations and develop final recommendations for OZ designation.

By July 1, 2026, SC Commerce will provide the following to the Governor:

- A list of census tracts recommended for nomination in accordance with state guidelines.
- An executive summary and ranking of nominated tracts including:
 - Census tracts with the highest potential for growth and economic impact by county.
 - A list of 10% of eligible tracts with high potential that were not recommended for nomination.



GOVERNOR McMASTER'S TRACT SUBMISSION

BEGINNING JULY 1, 2026

Objective: Submit final recommendations to U.S. Treasury

By July 1, Commerce will submit the final list of recommended Opportunity Zone census tracts and supporting executive report to the Governor for final consideration.

- Governor McMaster will submit final nominations of census tracts for Opportunity Zone designation to the U.S. Treasury.

ANY QUESTIONS?



COMMUNITY-FOCUSED NEXT STEPS

- Confirm tracts eligible for submission
- Review [submission form](#) for tract nomination
- Develop rationale for OZ tract nomination based on submission form
- Submit your tract nomination(s) by June 15, 2026

Questions? Connect with Commerce through June 12 at the following email address. Please note we cannot guarantee responses on June 15.

South Carolina Opportunity Zones
OpportunityZones@sccommerce.com
Department of Commerce

ANY FINAL QUESTIONS?
THANK YOU FOR JOINING US TODAY.!