

Part III.

Amplification of Notice 2018-48 to Include Additional Puerto Rico Designated Qualified Opportunity Zones

Notice 2019-42

PURPOSE

This notice amplifies Notice 2018-48, 2018-28 I.R.B. 9, which lists the population census tracts that the Secretary of the Treasury (Secretary) designated as qualified opportunity zones (QOZs). Specifically, this notice adds two additional census tracts in Puerto Rico that have been designated as QOZs under § 1400Z-1(b)(3) of the Internal Revenue Code (Code).

BACKGROUND

Section 13823 of the Tax Cuts and Jobs Act, P.L. 115-97 (TCJA), which was enacted December 22, 2017, amended the Code by adding §§ 1400Z-1 and 1400Z-2. Section 1400Z-1(b)(1)(A) of the Code allows the Chief Executive Officer (CEO) of each State (including the CEOs of the District of Columbia and of U.S. territories) to nominate a limited number of population census tracts to be designated as QOZs for purposes of §§ 1400Z-1 and 1400Z-2.

Revenue Procedure 2018-16, 2018-9 I.R.B. 383, provided guidance to these CEOs on the procedure for making the nominations. Section 1400Z-1(b)(1)(B) of the Code provides that after the Secretary receives notice of the nominations, the Secretary may certify the nominations and designate the nominated tracts as QOZs. Notice 2018-48 listed all population census tracts that the Secretary designated as QOZs for purposes of §§ 1400Z-1 and 1400Z-2, and in administering § 1400Z-2 the Internal Revenue Service is governed by this list.

Section 41115 of the Bipartisan Budget Act of 2018, P.L. 115-123 (BBA), enacted on February 9, 2018, added § 1400Z-1(b)(3) to the Code. Section 1400Z-1(b)(3) provides that each population census tract that is a low-income community (LIC) in Puerto Rico shall be deemed certified and designated as a QOZ effective on December 22, 2017, the date on which the TCJA was enacted. Thus, 100 percent of Puerto Rico's LICs are deemed certified. The initial analysis of the Department of the Treasury (Treasury Department) identified 835 LIC tracts in Puerto Rico based on data from the 2011-2015 American Community Survey (ACS), and all of those tracts were designated as QOZs.

Due to the complexities of incorporating the most recent census data information into the eligibility process, the Treasury Department utilized the 2011-2015 ACS data for initial eligibility determinations. States were permitted, however, to

nominate census tracts not already identified by the Treasury Department if they provided evidence of the tract's eligibility under the 2012-2016 ACS data. Following the initial designations, the Treasury Department reviewed and identified two additional eligible LIC census tracts in Puerto Rico based on the 2012-2016 ACS data.

APPLICATION

Two additional census tracts (72119130102 and 72137122002) that are LICs in Puerto Rico are deemed to be certified and designated as QOZs under § 1400Z-1(b)(3). Tracts 72119130102 and 72137122002 are added to the list of population census tracts that are designated as QOZs under § 1400Z-1, effective on December 22, 2017.

EFFECT ON OTHER DOCUMENTS

Notice 2018-48 is amplified by extending its scope to include in the list of designated QOZs two additional census tracts in Puerto Rico: 72119130102 and 72137122002.

DRAFTING INFORMATION

The principal author of this notice is Erika C. Reigle of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice, contact Ms. Reigle at (202) 317-7006 (not a toll-free number).