

Opportunity Zones 2.0 Alaska Overview



Anna Latham, Deputy Commissioner

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Public Hearing

4/14/2026

What are Opportunity Zones?

- Created in the 2017 Tax Cuts and Jobs Act
- Designed to attract private investment to underserved areas
- Investors reinvest capital gains into Qualified Opportunity Funds
- Funds invest in businesses or property located in Opportunity Zones



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Investor Tax Benefits

- Capital gains tax deferral
- Potential reduction in tax liability
- Tax free appreciation on investments held 10+ years



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Rural Incentives

What is the “step-up in basis” incentive?

- Opportunity Zones allow investors to defer capital gains taxes when those gains are reinvested in qualified projects.
- In certain circumstances, the taxable portion of the original gain may be reduced through a step-up in basis, lowering the eventual tax liability if the investment is held long enough.
- New provisions in Opportunity Zones 2.0 include enhanced incentives designed to encourage investment in rural areas. Because Alaska’s eligible census tracts largely qualify as rural, these provisions could be particularly beneficial for the state. Areas designated as rural receive a larger tax break or 30% step up in basis.



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Who can invest and how?

Eligibility:

- Any taxpayer (individuals, corporations, partnerships, trusts, or estates) with eligible capital gains is qualified to invest in a Qualified Opportunity Fund (QOF) to defer taxes.
- Eligible gains include both capital gains and qualified 1231 gains, but only if the gains are:
 - Recognized for federal income tax purposes before January 1, 2027
 - Not from a transaction with a related person
- Investments must be made within 180 days of realizing the gain, using cash or non-cash property, and the investment must be held for at least 10 years to maximize tax benefits.



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Who can invest and how?

Investment Mechanisms:

- Investors deploy capital through Qualified Opportunity Funds (QOFs). These funds are investment vehicles designed to finance projects within designated Opportunity Zones.
- A Qualified Opportunity Fund may:
 - Invest directly in Opportunity Zone property, or
 - Invest in a Qualified Opportunity Zone Business operating within the zone.
 - Funds may be formed by real estate developers, investment firms, private equity funds, or other financial managers. To qualify, funds must file federal documentation with the IRS.



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OZ 2.0 Framework

1. Community Impact Test
2. Market Viability Test
3. Policy Alignment Test



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What We Learned from OZ 1.0

- The IRS reported \$140 million was invested in Opportunity Zones in Alaska from 2017-2022
- Nationally, three-quarters of all designated tracts across the 50 states and DC registered OZ investment.



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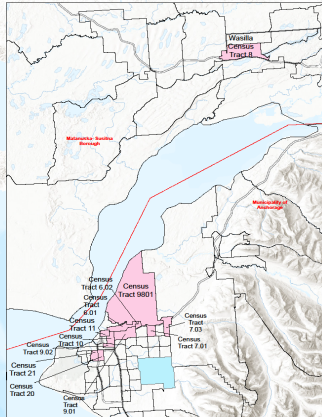
What is the State Role in the OZ Process?

- The state role for the Governor of each state to select up to 25%, or a maximum of 25 eligible census tracts in their state that meet OZ criteria in OBBBA.
- Alaska has 32 eligible census tracts to select from. 21 of those tracts receive a rural designation.

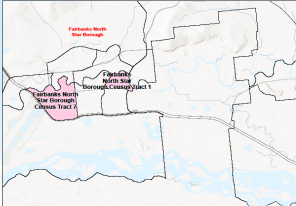
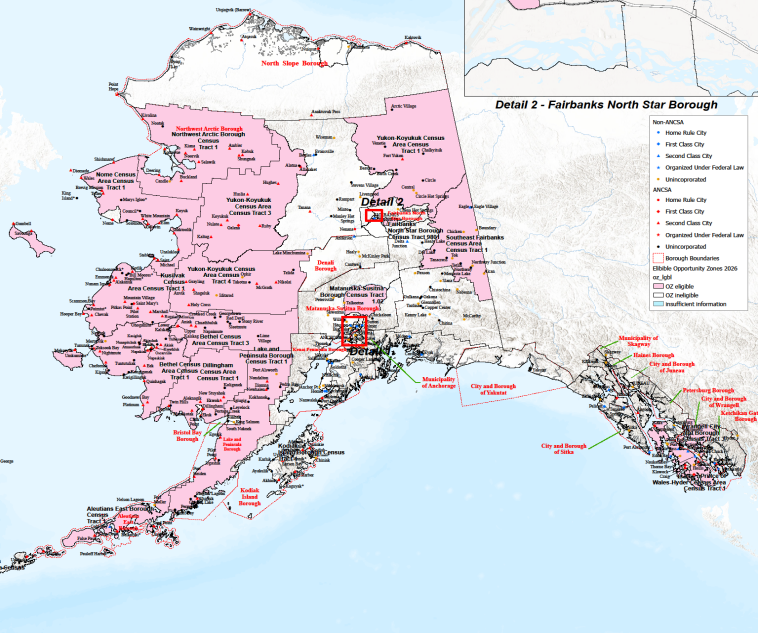


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Detail 1 - Municipality of Anchorage and Matanuska-Susitna Borough



Detail 2 - Fairbanks North Star Borough

- Non-AMCSA
 - Home Rule City
 - First Class City
 - Second Class City
 - Organized Under Federal Law
 - Unincorporated
- AMCSA
 - Home Rule City
 - First Class City
 - Second Class City
 - Organized Under Federal Law
 - Unincorporated
- Borough Boundaries
- State Opportunity Zones 2025 or later
- Eligible
- Not Eligible
- Insufficient Information



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Opportunity Zone 2.0 Timeline

Phase	Date	Milestone
Planning & Engagement	July – December 2025	Subcabinet meetings and statewide stakeholder outreach
Public Input	April 1 – 30, 2026	Public comment period open
State Selection Window	July 1 – September 30, 2026	Governor selects qualified Opportunity Zones (90 days)
Federal Submission	October 1, 2026	Selections submitted to IRS & Treasury
Program Launch	January 1, 2027	Certified Opportunity Zones available for investment



Why Opportunity Zones Matter for Alaska

- Opportunity Zones 2.0 represent a major opportunity to attract private capital to projects that strengthen Alaska's economy, support regional industries, and expand opportunity for communities across the state.
- Through collaboration between government, industry leaders, and investors, the Alaska Business Initiative aims to ensure that the state's Opportunity Zone strategy
- Targets high-impact investment areas
- Aligns with Alaska's long-term economic development goals



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Thank You

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