



TaxNewsFlash

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Notice 2025-50: Guidance regarding substantial improvements to property located in QOZ comprised entirely of “rural area”

The IRS today released [Notice 2025-50](#) providing guidance to taxpayers applying the substantial improvement provision of section 1400Z-2(d)(2)(D)(ii), as amended by Pub. L. No. 119-21 (commonly known as the “One, Big, Beautiful Bill Act” (OBBBA)), for certain improvements to property located in a qualified opportunity zone (QOZ) listed in Notice 2018-48 or Notice 2019-42 that is comprised entirely of a “rural area.”

In particular, the notice provides guidance regarding the definition of a “rural area” added under the OBBBA and provides a list of 3,309 census tracts designated as QOZs in Notice 2018-48 and Notice 2019-42 based on the 2010 Decennial Census that will be considered comprised entirely of a rural area based on 2020 Decennial Census data.

Notice 2025-50 does not provide any guidance regarding the forthcoming round of opportunity zone nominations, certifications, and designations authorized by the OBBBA, which the Treasury Department and IRS will address in the future.

Read a related IRS release—[IR-2025-96](#) (September 30, 2025)

Background

Section 70421(c)(4)(C) of the OBBBA amended section 1400Z-2(d)(2)(D)(ii) to reduce the substantial improvement threshold for improvements to property located in a QOZ that is comprised entirely of a rural area from 100% to 50% of the basis of such property, effective July 4, 2025.

Section 70421(c)(2) of the OBBBA also added a definition of “rural area” in section 1400Z-2(b)(2)(C)(ii) applicable to amounts invested in QOFs after December 31, 2026, as “any area other than—(I) a city or town that has a population of greater than 50,000 inhabitants, and (II) any urbanized area contiguous and adjacent to a city or town described in subclause (I).”

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