



IRS provides answers about Coronavirus related tax relief for Qualified Opportunity Funds and investors

IR-2020-114, June 4, 2020

WASHINGTON – The Internal Revenue Service today provided guidance for Qualified Opportunity Funds (QOFs) and their investors in response to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic.

[Notice 2020-39](#) answers questions regarding relief from certain requirements under section 1400Z-2 of the Internal Revenue Code (Code) and the implementing regulations. Additionally, the IRS has updated the [Qualified Opportunity Zones frequently asked questions](#).

Taxpayers who sold property for an eligible gain and who would have had 180 days to invest in a QOF to defer that gain, may have additional time. Notice 2020-39 provides that if a taxpayer's 180th day to invest in a QOF would have fallen on or after April 1, 2020, and before December 31, 2020, the taxpayer now has until December 31, 2020 to invest that gain into a QOF. (The 180th day for some of these taxpayers was already postponed through July 15, 2020, under Notice 2020-23.) In addition, the notice provides that the period between April 1, 2020, and December 31, 2020, is suspended for purposes of the 30-month period during which property may be substantially improved.

The guidance also provides that, due to the COVID-19 pandemic, a QOF's failure to hold less than the 90% of its assets in Qualified Opportunity Zone Property on any semi-annual testing dates from April 1, 2020, through Dec. 31, 2020, is due to reasonable cause under section 1400Z-2(f)(3) and such failure does not prevent qualification of an entity as a QOF or an investment in a QOF from being a qualifying investment. As such, the QOF will not be liable for the statutory penalty under section 1400Z-2(f) due to such a failure during this period.

For Qualified Opportunity Zone Business projects that meet the requirements of the 31-month working capital safe harbor under the final regulations, the notice reminds taxpayers that due to the COVID-19 pandemic these projects have up to an additional 24 months in which to expend their working capital.

Similarly, the notice reminds taxpayers that due to the COVID-19 pandemic, QOFs that received distributions of QOF stock or partnership interests as a return of capital or realized proceeds from a sale of that stock, partnership interest or qualified opportunity zone property have an additional 12 months in which to reinvest those amounts in the manner intended before the COVID-19 pandemic.

For more information about tax relief resulting from the COVID-19 pandemic, go to the [Coronavirus Tax Relief and Economic Impact Payments](#) page on IRS.gov.