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COVID-19 Pandemic May Imperil Opportunity Zone Projects.

Qualified opportunity zone investors face difficulty in meeting project deadlines amid the novel coronavirus pandemic and may face losing tax benefits or being forced to pull the plug on some projects if deadlines are not extended.

The Internal Revenue Service has responded to the pandemic of COVID-19, the respiratory disease caused by the novel coronavirus, by postponing tax filing and payment deadlines to July 15 from April 15. But the IRS has not overtly provided any deadline relief for opportunity zones, which allow an investor to reinvest capital gains within a 180-day window into designated low-income areas in exchange for certain tax benefits that grow the longer the money is invested in a qualified opportunity fund, up until Dec. 31, 2026.

If investments in the opportunity zone funds are held for five years, then 10% of capital gains on the prior investment will be forgiven, while 15% of capital gains will be forgiven if the investments are held for seven years. Thus an investor had until Dec. 31, 2019, to receive the higher 15% tax benefit.

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