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IRS Notice Provides COVID-19 Relief to QOFs, OZ Investors, OZ Businesses: Novogradac

The Internal Revenue Service (IRS) today issued a notice providing relief to qualified opportunity funds (QOFs) and their investors due to the COVID-19 pandemic, extending opportunity zones (OZ) relief provided by an earlier notice. [Notice 2021-10](#) provides relief for the 180-day investment requirement, the 30-month substantial improvement period, 90% investment standard for QOFs, working capital safe harbor for OZ businesses and 12-month reinvestment period for QOFs. The relief largely extends relief provided earlier in [Notice 2020-39](#).

For all taxpayers' whose last day of their 180-day window to invest capital gains was from April 1, 2020, to March 31, 2021, the 180-day deadline is now March 31. The 30-month substantial improvement period is now tolled from April 1, 2020, through March 31, 2021. A failure by a QOF to satisfy the 90% investment standard is considered reasonable if the last day of its first six-month period of a taxable year or last day of a taxable year falls from April 1, 2020, through June 30, 2021, and the QOF meets other requirements. All OZ businesses holding working capital assets intended to be covered by the working capital safe harbor before June 30, 2021, receive up to an additional 24 months. If a QOF's 12-month reinvestment period includes June 30, 2020, the QOF receives up to an additional 12 months to reinvest.

The notice addresses many of the issues included in an [Opportunity Zones Working Group letter](#) sent to the IRS Dec. 23, 2020. "Treasury's guidance provides relief that opportunity zones stakeholders have sought and will enable the incentive to continue to provide capital in areas of need during our nation's recovery from the COVID-19 pandemic," said Michael J. Novogradac, CPA, managing partner at Novogradac.

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