

Opportunity Zone Funding Extension

PROFESSIONALS

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PRACTICE AREAS

Opportunity Zones

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The key components of Notice 2020-39 (issued 6/04/2020) are listed below:

Notice 2020-39

- This notice extends the termination date of the 180-day reinvestment period. The termination of the 180-day reinvestment period would otherwise end between April 1, 2020, and December 31, 2020, **will now have until December 31 to fund the Qualified Opportunity Fund (QOF)**. The prior COVID extension was July 15, under [Notice 2020-23](#).
 1. There are significant 2019/2020 long-term tax planning opportunities and a unique situation where a taxpayer might file a return (current extended due date – October 15) before funding their QOF. Amended returns will be allowed if the taxpayer had not estimated the funding amount before filing their return.
 2. This extension will avoid complications associated with the early adoption of the Final Regulations for taxpayers with pre-March 15th, 2020 gains.
- The **30-month “Substantial Improvement” test** (i.e., doubling of basis) is extended to at least 39 months (the regular April – December 2020 period is essentially frozen). Additional COVID-related extensions may also be available under the Opportunity Zone (OZ) Regulations.
- Failure to meet **the 90% qualified asset test** at the QOF level during any testing period falling in the April 1 – December 31, 2020 period is effectively ignored although IRS Form 8996 must still be completed and filed.
- **Working Capital Safe Harbor period** will also be extended from 31 to 55 months. Presumably, the 62-month period will also get extended to 86 months, but not confirmed.
- Lastly, Notice 2020-39 reinforces that any distributions and/or sale of partnership interests or QOF stock received by QOFs will have 12 extra months to reinvest in a manner consistent with pre-COVID-19 pandemic intentions. This extension also includes proceeds from the sale of QOF stock,

Qualified Opportunity Zone Business Property (QOZBP), or partnership interests.

- Such property will retain its QOZBP status during that period. Tax gains during this period will still be taxable.

The IRS Notice 2020-39 provides answers about Coronavirus related tax relief for Qualified Opportunity Funds and Investors. For more information about Opportunity Zones, [click here](#). Please contact one of the HCVT OZ team members with any related questions.

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