

## IRS Extends Relief for Qualified Opportunity Funds

Alert

01.27.2021

On January 19, 2021, the IRS issued [Notice 2021-10](#), further extending relief for qualified opportunity funds (QOF) and their investors due to the COVID-19 pandemic. The IRS had provided relief last year in Notice 2020-39, and Notice 2021-10 extends that relief. (For a summary of the relief measures in the earlier notice, see Stinson's [previous alert](#).)

The relief provided by Notice 2021-10 includes the following:

- Notice 2021-10 provides additional time for taxpayers to timely make an investment in a QOF. If the last day of the 180-day investment period within which a taxpayer must make an investment in a QOF falls on or after April 1, 2020 and before March 1, 2021, Notice 2021-10 provides that the last day of that investment period is postponed to March 31, 2021. This relief is automatic and taxpayers need not apply for or elect this relief.
- Notice 2021-10 forgives a QOF that fails to satisfy the 90% asset test. If the last day of the first 6-month period of a QOF's taxable year or if the last day of a QOF's taxable year falls within the period beginning on April 1, 2020, and ending on June 30, 2021, Notice 2021-10 provides that any failure by the QOF to satisfy the 90% asset test for that taxable year will be considered to be due to reasonable cause. As a result, the failure by the QOF to satisfy the 90% asset test will be ignored. This relief is also automatic.
- Notice 2021-10 tolls the 30-month substantial improvement period. Notice 2021-10 provides that the period beginning on April 1, 2020, and ending on March 31, 2021, is disregarded in determining the 30-month substantial improvement period for tangible property intended to be treated as qualified opportunity zone business property. This effectively gives QOFs an additional 12 months to satisfy the substantial improvement requirement with respect to tangible property owned as of April 1, 2020 or acquired thereafter through March 31, 2021.
- Notice 2021-10 extends the working capital safe harbor period. Notice 2021-10 provides that, in the case of a QOF operating through a qualified opportunity zone business (QOZB), any such QOZB holding

# IRS Extends Relief for Qualified Opportunity Funds

working capital assets intended to be covered by the working capital safe harbor before June 30, 2021, will receive an additional 24 months to expend the working capital assets of the QOZB.

- Notice 2021-10 provides additional time to satisfy the reinvestment requirement. Notice 2021-10 provides that if a QOF's 12-month reinvestment period includes June 30, 2020, the QOF has up to an additional 12 months to reinvest in qualified opportunity zone property.

In recognition of the continuing disruption caused by the COVID-19 pandemic, Notice 2021-10, gives investors more time to invest in QOFs and eases some of the qualification requirements for QOFs, which should help the qualified opportunity fund program fulfil its goal of spurring investment in low-income communities. Such investment would also provide opportunities to those living in those communities who have suffered disproportionately from the effects of the COVID-19 pandemic.

For more information on relief for qualified opportunity funds, please contact one of the members of the [Corporate Finance](#) division or the Stinson LLP contact with whom you regularly work.

## RELATED CAPABILITIES

Construction

Corporate Finance

Real Estate & Public Finance

Tax, Trusts & Estates

STINSON

STINSON LLP \ STINSON.COM