

QUALIFIED OPPORTUNITY FUNDS

POTENTIAL PITFALLS AND PENDING GUIDANCE



INVESTMENT IN QUALIFIED OPPORTUNITY FUND

- 180 DAYS FROM DATE CAPITAL GAIN IS REALIZED
- NO EXTENSIONS
- EXCEPTION: PARTNERSHIPS AND OTHER PASS-THROUGH ENTITIES



FILING REQUIREMENTS

- FORM 8949
 - DEFERRAL OF CAPITAL GAIN

- FORM 8996
 - SELF-CERTIFY AS QUALIFIED OPPORTUNITY FUND
 - ESTABLISH EFFECTIVE DATE OF QUALIFIED OPPORTUNITY FUND TREATMENT



ORGANIZATIONAL DOCUMENTS

- ARTICLES OF INCORPORATION, OPERATING AGREEMENT OR PARTNERSHIP AGREEMENT OF FUND
 - MUST PROVIDE THAT THE ENTITY IS ORGANIZED TO INVEST IN QUALIFIED OPPORTUNITY ZONE PROPERTY, AND
 - MUST INCLUDE A DESCRIPTION OF THE QUALIFIED OPPORTUNITY ZONE BUSINESS(ES) THAT THE FUND WILL CONDUCT.



INVESTMENT LIMITATIONS

CORPORATIONS AND PARTNERSHIPS ORGANIZED IN PUERTO RICO
MAY ONLY INVEST IN PUERTO RICO QUALIFIED OPPORTUNITY ZONES.



DEPLOYMENT OF FUNDS

- FUND
 - 90% REQUIREMENT. AVERAGE OF LAST DAY OF SIXTH MONTH OF TAXABLE YEAR AND LAST DAY OF TAXABLE YEAR
 - WORKING CAPITAL DOES NOT QUALIFY FOR 90% INVESTMENT REQUIREMENT
- ZONE ENTITY
 - WORKING CAPITAL QUALIFIES FOR 70% REQUIREMENT
 - WRITTEN PLAN FOR DEPLOYMENT OF FUNDS
 - UP TO 31 MONTHS TO MEET 70% INVESTMENT REQUIREMENT

PENDING GUIDANCE



FACTS AND CIRCUMSTANCES THAT WILL RESULT IN THE RECOGNITION OF THE CAPITAL GAIN AND THE LOSS OF TAX BENEFITS.



APPLICABILITY OF WORKING CAPITAL AND 31 MONTH PERIOD TO INVESTMENTS BY QUALIFIED OPPORTUNITY FUNDS.



EXTENSION TO 180-DAY PERIOD FOR INVESTMENT OF GAIN.



INVESTMENT IN UNIMPROVED LAND AND ORIGINAL USE REQUIREMENT.

