

Small Business Notes

VOLUME 32, No. 8
OCTOBER 2018

Minnesota Department of Employment
and Economic Development (DEED)

Internal Revenue Service (IRS) Releases Draft of New Form 8996 for Taxpayers to Use with Qualified Opportunity Fund

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- **Internal Revenue Service (IRS) Releases Draft of New Form 8996 for Taxpayers to Use with Qualified Opportunity Fund**

At the end of October the IRS released a draft of new Form 8996 to be used by taxpayers (individuals, partnerships, corporations –including S corporations-) who wish to take advantage of the tax deferral and tax elimination provisions of investment in a Qualified Opportunity Zone / Qualified Opportunity Fund initiative created by the Tax Cuts and Jobs Act. [Note that the draft is provided by the IRS as a courtesy and is clearly marked “Draft as of October 19, 2018 Do Not File.”]

That legislation provides that an investor rolling over capital gains as an investment into a specifically created Qualified Opportunity Fund (QOF) operating as a corporation or partnership in a designated Qualified Opportunity Zone may defer tax on the rollover gain until the earlier of the date the investor sells its interest in the QOF or December 31, 2026. If the taxpayer holds its interest for at least ten years there is no tax on the gain.

The new draft Form 8996 provides for “check the box” self certification of the QOF’s status as a corporation or partnership and for its purpose of investing in Qualified Opportunity Zone property. It also provides for calculation of the required 90 percent of assets to be invested.

A list of Qualified Opportunity Zones in Minnesota appears at <https://mn.gov/deed/business/financing-business/tax-credits/opp-zones/census-opp-zone-tracts.jspars>

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