



TaxNewsFlash

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IRS announces taxpayers may soon receive letters relating to qualified opportunity funds

The IRS today announced that taxpayers who may need to take additional actions related to qualified opportunity funds (QOFs) should begin receiving letters in the mail in April.

According to the IRS release—[IR-2022-79](#) (April 12, 2022)—taxpayers who attached [Form 8996](#), *Qualified Opportunity Fund*, to their return may receive Letter 6501, *Qualified Opportunity Fund (QOF) Investment Standard*. This letter lets them know that information needed to support the annual certification of investment standard is missing, invalid or the calculation is not supported by the amounts reported. If the taxpayers intend to maintain their certification as a QOF, they may need to take additional action to meet the annual self-certification of the investment standard requirement.

The IRS further explained that to correct the annual maintenance certification of the investment standard, taxpayers must file an amended return or an administrative adjustment request (AAR). If an entity that receives the letter fails to act, the IRS may refer its tax account for examination. Investors who made an election to defer tax on eligible gains invested in that entity may also be subject to examination.

In addition, the IRS release states that taxpayers may receive Letter 6502, *Reporting Qualified Opportunity Fund (QOF) Investments*, or Letter 6503, *Annual Reporting Of Qualified Opportunity Fund (QOF) Investments*. These letters notify the taxpayers that they may not have properly followed the instructions for [Form 8997](#), *Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments*, since it appears that information is missing, invalid or that they may not have properly followed the requirements to maintain their qualifying investment in a QOF with the filing of the form.

If these taxpayers intend to maintain a qualifying investment in a QOF, they can file an amended return or an AAR with a properly completed Form 8997 attached. A failure to act will mean those who received the letter may not have a qualifying investment in a QOF and the IRS may refer their tax accounts for examination and, in turn, this could result in these taxpayers owing taxes, interest, and penalties on gains not properly deferred.

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