

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Person To Contact:

, ID No.

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Refer Reply To:

CC:ITA:B08

PLR-112942-23

Date:

December 15, 2023

Attn:

VIA E-FAX –

Taxpayer =

Month 1 =

Month 2 =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Year 1 =

State =

Shareholder =

CPA =

Dear

This letter responds to Taxpayer's request for a letter ruling dated Date 5. Taxpayer requests relief under §§ 301.9100-1 and 301.9100-3¹ for an extension of time to file Form 8996, *Qualified Opportunity Fund*, to self-certify as a qualified opportunity fund (QOF), as defined in section 1400Z-2(d), effective as of Month 1, the first month in which Taxpayer intended to be a QOF.

FACTS

According to the information and representations provided, Taxpayer, a limited liability company classified as a S corporation for federal tax purposes, was formed on Date 1 in State, for the purposes of qualifying and serving as a QOF through investing in and substantially improving qualified opportunity zone property. Taxpayer represents that it operates on a calendar year tax year and utilizes the cash method. As of the end of Year 1, Taxpayer represents that it had a sole shareholder, Shareholder.

Taxpayer represents that it intended to elect to be a QOF beginning in Month 1. Taxpayer represents that Shareholder retained and relied on CPA to serve as Taxpayer's accounting firm and tax advisor. As such, Taxpayer represents that CPA was responsible for preparing and filing Taxpayer's Form 1120-S, *U.S. Income Tax Return for an S Corporation*, along with the Form 8996 to self-certify Taxpayer as a QOF for Taxpayer's tax year Year 1. Taxpayer represents that CPA was expected to file Form 7004, *Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns*, by Date 2, the due date of Taxpayer's tax return for Year 1, thereby extending the deadline to file Taxpayer's tax return to Date 4.

However, Taxpayer represents that due to an administrative error by CPA, CPA unknowingly failed to file a Form 7004 on behalf of Taxpayer. CPA represents that CPA discovered its failure to file the Form 7004 in Month 2, after Date 2, which meant Taxpayer's Year 1 tax return and Form 8996 would not be timely filed. Taxpayer represents that CPA filed Taxpayer's Form 1120-S and Form 8996 for Year 1 on Date 3.

Taxpayer represents that it subsequently learned that it therefore would not be able to timely file its Year 1 tax return and Form 8996 to self-certify as a QOF. Taxpayer then instructed the CPA to file this request for a letter ruling on its behalf.

LAW AND ANALYSIS

Section 1400Z-2(e)(4) directs the Secretary to prescribe such regulations as may be necessary to carry out the purposes of section 1400Z-2, including rules for the

¹ Unless otherwise specified, all "section" references are to sections of the Internal Revenue Code (Code) and all "§" references to sections of the Treasury Regulations (26 CFR Part 1) or (26 CFR Part 301).

certification of QOFs. Section 1.1400Z2(d)-1(a)(2)(i) of the regulations provides that the self-certification of a QOF must be timely-filed and effectuated annually in such form and manner as may be prescribed by the Commissioner of Internal Revenue in the Internal Revenue Service forms or instructions, or in publications or guidance published in the Internal Revenue Bulletin. The Form 8996 Instructions published pursuant to these regulations specify that to self-certify as a QOF, a taxpayer must file Form 8996 with its tax return for the year to which the certification applies by the due date of the tax return (including extensions).

Sections 301.9100-1 through 301.9100-3 provide the standards that the Commissioner will use to determine whether to grant an extension of time to make a regulatory election.

Section 301.9100-3(a) of the regulations provides that requests for extensions of time for regulatory elections (other than automatic extensions covered in § 301.9100-2) will be granted when the taxpayer provides evidence (including affidavits) to establish that the taxpayer acted reasonably and in good faith and the grant of relief will not prejudice the interests of the Government.

Section 301.9100-3(b)(1) of the regulations provides that a taxpayer is deemed to have acted reasonably and in good faith if the taxpayer—

- (i) requests relief before the failure to make the regulatory election is discovered by the Service;
- (ii) failed to make the election because of intervening events beyond the taxpayer's control;
- (iii) failed to make the election because, after exercising reasonable diligence, the taxpayer was unaware of the necessity for the election;
- (iv) reasonably relied on the written advice of the Service; or
- (v) reasonably relied on a qualified tax professional, and the professional failed to make, or advise the taxpayer to make, the election.

In addition, § 301.9100-3(b)(3) provides that a taxpayer is deemed not to have acted reasonably and in good faith if the taxpayer—

- (i) seeks to alter a return position for which an accuracy-related penalty has been or could be imposed under § 6662 at the time the taxpayer requests relief, and the new position requires or permits a regulatory election for which relief is requested;

(ii) was fully informed in all material respects of the required election and related tax consequences but chose not to make the election; or

(iii) uses hindsight in requesting relief (if specific facts have changed since the original deadline that make the election advantageous to a taxpayer, the Service will not ordinarily grant relief).

Section 301.9100-3(c)(1) of the regulations provides that the Commissioner will grant a reasonable extension of time to make the regulatory election only when the interests of the Government will not be prejudiced by the granting of relief. Section 301.9100-3(c)(1)(i) of the regulations provides that the interests of the Government are prejudiced if granting relief would result in a taxpayer having a lower tax liability in the aggregate for all taxable years affected by the election than the taxpayer would have had if the election had been timely made (taking into account the time value of money).

CONCLUSION

The information and representations provided indicates that Taxpayer did not timely file its Form 8996 by the due date of its income tax return for Year 1 due to Taxpayer's reasonable reliance on CPA and CPA's failure to file a Form 7004 on behalf of Taxpayer. Based on the information provided, including affidavits and representations under penalties of perjury, we conclude that Taxpayer has acted reasonably and in good faith, and that granting a reasonable extension of time for Taxpayer to file Form 8996 will not prejudice the interests of the Government. Consequently, the Form 8996 attached to Taxpayer's Form 1120-S for Year 1, filed on Date 3, is considered timely filed, and Taxpayer has thereby made the election under section 1400Z-2 and § 1.1400Z2(d)-1(a)(2)(i) to self-certify as a QOF for Year 1. Taxpayer should submit a copy of this letter ruling to the Service Center where Taxpayer files its returns along with a cover letter requesting that the Service associate this ruling with the Year 1 Form 1120-S.

CAVEATS

The granting of an extension of time in this ruling letter is not a determination that Taxpayer is otherwise eligible to self-certify as a QOF. See § 301.9100-1(a).

This ruling is based upon facts and representations submitted by the Taxpayer and accompanied by penalty of perjury statements executed by the appropriate parties. This office has not verified any of the material submitted in support of the request for a ruling. However, as part of an examination process, the Service may verify the factual information, representations, and other data submitted.

Except as expressly provided herein, no opinion is either expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. Specifically, we have no opinion, either express or implied,

concerning whether any investments made in Taxpayer are qualifying investments as defined in § 1.1400Z2(a)-1(b)(34) or whether Taxpayer meets the requirements under section 1400Z-2 and the regulations thereunder to be treated as a QOF. In addition, we also express no opinion on whether any interest owned in any entity by Taxpayer qualifies as qualified opportunity zone property, as defined in section 1400Z-2(d)(2), or whether such entity would be treated as a qualified opportunity zone business, as defined in section 1400Z-2(d)(3). We express no opinion regarding the tax treatment of the instant transaction under the provisions of any other sections of the Internal Revenue Code or regulations that may be applicable, or regarding the tax treatment of any conditions existing at the time of, or effects resulting from, the instant transaction.

A copy of this letter must be attached to any tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling. Taxpayers that have previously filed a return or administrative adjustment requests attaching Form 8996 should submit a copy of this letter ruling to the Service Center where Taxpayer files its returns along with a cover letter requesting that the Service associate this ruling with the previous filing(s).

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent. Enclosed is a copy of the letter ruling showing the deletions proposed to be made when it is disclosed under section 6110.

Pursuant to the Form 2848, *Power of Attorney and Declaration of Representative*, on file, we are sending a copy of this letter to Taxpayer's authorized representatives.

Sincerely,

Martin L. Osborne
Senior Counsel, Branch 8
Office of Chief Counsel
(Income Tax & Accounting)

cc: