

September 25, 2019**IRS Form 8997 Required to Track Capital Gain Investments in
Opportunity Zone Funds**

For investors in Qualified Opportunity Zone Funds, IRS Draft Form 8997 will be required to be filed annually with the investor's federal income tax return.

Pursuant to the initial draft form issued on September 25, 2019, the following information is to be shown on the form:

- I. As of beginning of investor's tax year, (A) QOF EIN, (B) Date QOF interest(s) acquired, (C) description of QOF equity interest acquired and outstanding (number of shares or units, or percentage interest) and (D) amount of remaining short-term capital gain or long term capital gain.
- II. Capital gains for current tax year that were invested in QOF.
- III. QOF investments that were disposed during the current tax year, including date disposed and deferred capital gain included in income.
- IV. As of the end of the investor's tax year, (A) QOF EIN, (B) Date QOF interest(s) acquired, (C) description of QOF equity interest acquired and outstanding (number of shares or units, or percentage interest) and (D) amount of remaining short-term capital gain or long term capital gain.

With respect to capital gain amounts that relate to a sale in a prior tax year where the investment in a QOF is made during the current tax year, it would seem that this information would be included in Part II regarding current year capital gains deferred by investing in a QOF. This can arise under various situations, including (1) sales (and possibly capital gains reported on the installment method) arising during the second half of a calendar year where the 180 days end in the following year, (2) capital gain arising in a pass-through entity, where a member has an extended period starting on the last day of the tax year, and (3) sales of Section 1231 assets where the 180-day period starts on the last day of the tax year. This reporting is simple if the QOF investment is made before the filing date of the tax return, but an extension of the tax return filing might be needed or an anticipated QOF investment date would need to be shown if the investment is to be made after the original filing date.

The Form 8997 is issued in draft form and is not to be included with the 2018 federal income tax return, even if filed on extension by October 15, 2019. The election to defer 2018 capital gain through an investment in a QOF must be shown on the IRS Form 8949 filed for 2018.

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Part III QOF investments disposed of during current tax year

(a) Qualified Opportunity Fund (QOF) EIN	(b) Date QOF sold or disposed (MM/DD/YYYY)	(c) Description of interest disposed (For example, 100 shares or 25% interest)	Deferred gain included due to disposition of QOF interest	
			(d) Amount of previously deferred short-term gain now included in taxable income	(e) Amount of previously deferred long-term gain now included in taxable income

Enter the totals, if any, from continuation sheet ▶

Enter the totals from columns (d) and (e). See instructions for reporting on Form 8949 . . . ▶

Check this box if you disposed of any investment(s) and didn't receive a Form 1099-B reporting the disposition from the qualified opportunity fund or other third party. See the instructions for Form 8949 for reporting requirements of any gain or loss.

Part IV Total QOF investment holdings at year end due to deferrals (see instructions)

(a) Qualified Opportunity Fund (QOF) EIN	(b) Date QOF investment acquired (MM/DD/YYYY)	(c) Description of interest acquired (For example, 100 shares or 25% interest)	Deferred gain invested in QOF investment	
			(d) Amount of short-term deferred gain invested in QOF	(e) Amount of long-term deferred gain invested in QOF

Enter the totals, if any, from continuation sheet ▶

Enter the totals from columns (d) and (e) ▶

General Instructions

Future Developments

For the latest information about developments related to Form 8997 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/Form8997.

Purpose of Form

The Tax Cuts and Jobs Act (TCJA), section 13823, added section 1400Z-1 to provide for the designation of certain census tracts communities as qualified opportunity zones and added section 1400Z-2 to provide certain benefits for investments in these qualified opportunity zones through investment in qualified opportunity funds (QOFs). Taxpayers that invest in qualified opportunity zone property through a QOF can defer the recognition of certain gains. See *Definitions*, later.

An investor in a QOF uses Form 8997 to inform the IRS of the QOF investments and deferred gains held at the beginning and end of the current tax year, as well as any capital gains deferred and invested in a QOF and QOF investments disposed of during the current tax year. See www.irs.gov/Newsroom/Opportunity-Zones-Frequently-Asked-Questions on IRS.gov for more information and guidance.

Definitions

Qualified opportunity zone. A qualified opportunity zone is a population census tract that is a low-income community designated as a qualified opportunity zone. For a complete list of qualified opportunity zones, see Notice 2018-48 and Notice 2019-42. You can find Notice 2018-48 at IRS.gov/IRB/2018-28_IRB#NOT-2018-48. Notice 2019-42 can be found at IRS.gov/IRB/2019-29_IRB#NOT-2019-42.

Qualified opportunity fund (QOF). A QOF is an investment vehicle organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property (other than another QOF) that holds at least 90% of its assets in qualified opportunity zone property. See the Instructions for Form 8996 for more information.

Qualified opportunity fund (QOF)

investment. A qualified opportunity fund investment is an investment in a QOF the amount for which a section 1400Z-2(a) election is made to defer an equal amount of eligible gain. The investment interest in the QOF received by the investor must be in the form of an equity interest in the QOF, which may include preferred stock or a partnership interest with allocations. Generally, the investment in the QOF must have occurred within the 180-day period beginning on the date the deferred gain was realized.

Who Must File

Eligible taxpayers holding a qualified opportunity fund investment at any point during the tax year must file Form 8997. Eligible taxpayers include individuals; C corporations, including regulated investment companies (RICs) and real estate investment trusts (REITs); partnerships; S corporations; trusts; and estates. Form 8997 must be filed with your timely filed federal tax return (including extensions).

Specific Instructions

Name and Address

Print or type the information in the spaces provided.

Taxpayer identification number. If you are an individual, enter your social security number (SSN) or your individual taxpayer identification number (ITIN). For C corporations, partnerships, S corporations, trusts, and estates, enter the employer identification number (EIN).

Part I

Complete Part I to declare your QOF investments held at the beginning of the current tax year; for individuals, this would generally be January 1, 2019. Complete columns (a) through (c) for each QOF investment. When reporting the amount of the deferred gain, use the appropriate column (either (d) or (e)) depending on whether the remaining deferred capital gain in the fund was a short-term or a long-term capital gain.

Part II

Complete Part II to report your capital gains for tax year 2019 that were deferred by investing in a QOF. Complete columns (a) through (c) for each QOF investment. When reporting the amount of the deferred gain, use the appropriate column (either (d) or (e)) depending on whether the capital gain deferred was a short-term or a long-term capital gain.

Part III

Complete Part III to report your QOF investments disposed of during tax year 2019. Complete columns (a) through (c) for each QOF investment. When reporting the amount of the deferred gain now included, due to the disposition of the QOF investment, use the appropriate column (either (d) or (e)) depending on whether the previously deferred capital gain was a short-term or a long-term capital gain.

Check the box in Part III if you disposed of a QOF investment during tax year 2019 and didn't receive a Form 1099-B from the QOF or other third party reporting the disposition.

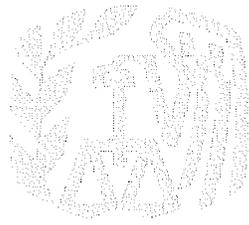
Part IV

Complete Part IV to report your QOF investments held at the end of the current tax year due to current year capital gain deferrals and prior tax year(s) deferrals; for individuals, this would generally be December 31, 2019. Complete columns (a) through (c) for each QOF investment. When reporting the amount of the deferred gain, use the appropriate column (either (d) or (e)) depending on whether the deferred capital gain was a short-term or a long-term capital gain.

Additional Investments

Attach a separate continuation sheet if the number of QOF investments to be reported on Part I, II, III, or IV exceeds the amount of lines provided. Transfer the deferred gains from the continuation sheet to the line on each part for totals from a continuation sheet and enter the amounts in the appropriate column (either (d) or (e)) depending on whether the deferred capital gain invested in the fund was a short-term or a long-term capital gain.

Note: *The draft you are looking for begins on the next page.*



Caution: *DRAFT—NOT FOR FILING*

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms** and do **not** rely on draft forms, instructions, and publications for filing. We generally do not release draft forms until we believe we have incorporated all changes, but sometimes unexpected issues arise, or legislation is passed. Also, forms generally are subject to OMB approval before they can be officially released. Drafts of instructions and publications usually have some changes before their final release.

Early release drafts are at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) and may remain there even after the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms). All information about all forms, instructions, and pubs is at [IRS.gov/Forms](https://www.irs.gov/Forms).

Almost every form and publication also has a page on IRS.gov with a friendly shortcut. For example, the Form 1040 page is at [IRS.gov/Form1040](https://www.irs.gov/Form1040); the Pub. 501 page is at [IRS.gov/Pub501](https://www.irs.gov/Pub501); the Form W-4 page is at [IRS.gov/W4](https://www.irs.gov/W4); and the Schedule A (Form 1040) page is at [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA). If typing in a link above instead of clicking on it, be sure to type the link into the address bar of your browser, not a Search box.

If you wish, you can submit comments about draft or final forms, instructions, or publications at [IRS.gov/FormsComments](https://www.irs.gov/FormsComments). We cannot respond to all comments due to the high volume we receive. Please note that we may not be able to consider many suggestions until the subsequent revision of the product.