

Insights

IRS Extends Like-Kind and Qualified Opportunity Zone Deadlines

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Related Expertise

Tax

Section 1031 of the Internal Revenue Code allows a taxpayer to sell real property (the relinquished property) and replace it with real property of a like-kind (the replacement property) without recognizing tax on the sale if certain requirements are met. Two of those requirements are that the taxpayer must identify replacement property within 45 days of the sale of the relinquished property and acquire the replacement property within 180 days of the sale of the relinquished property.

Similarly, Section 1400Z-2 of the Internal Revenue Code allows taxpayers several benefits if the taxpayer has capital gains that he or she invests in a qualified opportunity fund within 180 days. These benefits include deferring the capital gains, usually until December 31, 2026, and potentially avoiding any taxable gain on the liquidation of the qualified opportunity fund investment if the investment is held for at least ten years.

These 45-day and 180-day requirements were causing concern for taxpayers given the current state of the country as a result of the coronavirus pandemic. In recognition of this, the Internal Revenue Service issued Notice 2020-23 last night, extending the deadline to July 15, 2020, for several types of returns or other filing obligations which were due to be performed on or after April 1, 2020, and before July 15, 2020.

The notice specifically provides an automatic extension until July 15, 2020, of the Section 1031 45-day and 180-day periods and the Section 1400Z-2 180-day period for any period that would end on or after April 1, 2020, and before July 15, 2020. An extension is not available if the 45-day or 180-day period expired prior to April 1.

This is good news for taxpayers that were struggling to complete their like-kind exchange or opportunity fund investment.