

United States: Treasury Releases Proposed QOZ Regulations

Proposed Regulations implement QOZ reporting regime, formalize QOF certification/decertification

In brief

On September 11, 2026, Treasury and the IRS released proposed regulations on Information Reporting Regarding Qualified Opportunity Zones (QOZs) and Updated Qualified Opportunity Fund Certification and Decertification Procedures¹ (“**Proposed Regulations**”). The Proposed Regulations implement the QOZ information reporting regime that was enacted by the One Big Beautiful Bill Act (**OBBBA**). Comments are due by October 16, 2026.

The Proposed Regulations would require (i) qualified opportunity funds (**QOFs**) to file comprehensive annual information returns, (ii) qualified opportunity zone businesses (**QOZBs**) to furnish annual information statements and compliance attestations to QOFs, and (iii) investor-level reporting for disposition events. Further, the Proposed Regulations expand broker reporting, clarify electronic filing requirements, and implement penalties for failures to file or furnish the required information.

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Key takeaways

- **Self-certification requires timely filing of Form 8996 accompanied by an affirmative statement that the entity is organized to invest in QOZ property.** An eligible entity self-certifying as a QOF must identify the first taxable year and month for which the certification is effective. An eligible entity's self-certification as a QOF would not be valid unless the self-certification is timely filed and effected in the entity's first taxable year by filing a Form 8996 (or any successor form) with the IRS by the due date for the eligible entity's original federal tax return. In addition, any investment before the entity's first month as a QOF is a nonqualifying investment, and any deferral election purportedly made under section 1400Z-2(a)(1) with respect to that investment is invalid.
- **Inadvertent elections to self-certify are revocable with the IRS's consent only if no qualifying investment was made.** Revocation is unavailable if any qualifying investment was made while the entity held QOF status (i.e., the period beginning on the self-certification date and continuing throughout the period the entity was certified as a QOF). Any successful revocation by a QOF is permanent; the entity cannot re-certify in the future, and no other entity may use the revoking entity's taxpayer identification number (TIN) to self-certify as a QOF.
- **Voluntary decertification is achieved through a timely final Form 8996.** A decertifying QOF must indicate on its final Form 8996 that it is voluntarily decertifying and identify the last month for which it will maintain its QOF status. A decertifying QOF must maintain contemporaneous written documentation, such as meeting minutes, memorializing its intent to terminate QOF certification and identifying the last month for which it will remain certified. The decertifying QOF must provide notice of the decertification to each investor holding a qualifying or nonqualifying investment in the QOF within 15 days of the effective date of decertification.

¹ Information Reporting Regarding Qualified Opportunity Zones and Updated Qualified Opportunity Fund Certification and Decertification Procedures, 91 FR 57968 (Proposed September 11, 2026).

- **Voluntary decertification is an “inclusion event.”** The Proposed Regulations confirm that voluntary decertification is an inclusion event. On the last day of the QOF’s final month as a QOF, each investor holding a qualifying investment would experience an inclusion event with respect to its entire qualifying investment. However, any realized gain arising from the voluntary decertification remains eligible for deferral if the investor reinvests the gain in a different QOF and otherwise satisfies the requirements for a deferral election.
- **Each QOF or QOZB would measure the holding period based on its own period of ownership or lease, and would test it on its own semiannual testing dates.** A QOZB would determine whether property satisfies the 70% use test on the last day of the first six-month period of the QOZB’s taxable year and on the final day of its taxable year. Thus, a QOZB would apply its own taxable year and semiannual testing dates, rather than the taxable year and testing dates of an investing QOF. The Proposed Regulations preserve a separate testing rule for QOFs while revising the surrounding provisions to distinguish a QOF’s testing period from a QOZB’s testing period.
- **Annual reporting obligations for QOFs require information about the underlying QOF, applicable QOZBs, and reportable investors.** QOFs would be annually required to file a Form 8996 and provide information about the QOF, its applicable QOZBs, and its reportable investors who experienced a disposition event during the applicable calendar year. A disposition event is any inclusion event under Treas. Reg. § 1.1400Z2(b)-1(c). A “**reportable investor**” means any person that held an interest in the QOF for which a disposition event with respect to such interest occurred during the QOF’s taxable year, and in certain circumstances, a broker holding the QOF interest on an unidentified customer’s behalf.
- **QOFs must furnish statements to reportable investors.** Each reportable investor must receive a written statement containing investor-specific information, QOF contact information, a legend indicating that the information is reported to the IRS, and, if applicable, notice that the investor’s section 1400Z-2(c) election is no longer available. The statements are due by March 1 following the calendar year of the disposition event, except for statements furnished to a broker holding interests for unidentified customers which are due by January 15.
- **QOZBs must furnish an annual written statement to each relevant QOF.** A QOZB must annually attest to its QOF that it satisfies the applicable QOZB qualification requirements. The QOZB statement generally must be furnished by the first day of the second month following the close of the QOZB’s taxable year. A calendar-year QOZB therefore would have a February 1 furnishing deadline.
- **A new daily penalty applies to a late or incorrect Form 8996.** The Proposed Regulations impose a penalty of USD 500 for each day a QOF fails to file a complete and correct section 6039K return, capped at USD 10,000 per return, or USD 50,000 for a “large QOF” with gross assets exceeding USD 10 million on the last day of its taxable year. If the failure is due to intentional disregard, the daily amount rises to USD 2,500 and the caps rise to USD 50,000 and USD 250,000, respectively. All amounts are indexed for inflation. The daily penalty stops only when a complete and correct Form 8996 is filed, and failure to file in the required electronic manner is treated as a failure to file timely. Reasonable cause relief under section 6724 is available.
- **Form 8996 would be treated as a separate information return for purposes of the electronic-filing rules.** Even though Form 8996 is attached to the QOF’s federal tax return, it is treated as a separate return. Therefore, Form 8996 counts toward the ten-return threshold used to determine certain electronic-filing obligations applicable to partnerships, corporations, and S corporations. Form 8996 is separately subject to electronic filing for QOFs and qualified rural opportunity funds (QROFs).
- **Reporting obligations related to QROFs and businesses are reserved for later promulgation.** Reporting rules specific to QROFs and rural QOZBs are reserved for future guidance. Sponsors evaluating rural QOZ investments should continue to refer to Notice 2025-50 for the definition of a “rural area” and the list of pre-OBBBA census tracts treated as rural QOZs.

In more detail

When the OBBBA made the QOZ program permanent, it also expanded information reporting requirements for QOFs and QOZBs to boost transparency, increase accountability, and track the social and economic impact of the QOZ program. The Proposed Regulations provide a framework for the QOF reporting requirements and formalize procedures for QOF self-certification and voluntary decertification.

The Proposed Regulations principally address four areas: (i) expanded annual reporting by QOFs and QOZBs, (ii) new investor-level reporting for disposition events, (iii) formal procedures for QOF certification, inadvertent-certification revocation and voluntary decertification, and (iv) new penalties for incomplete, incorrect or late reporting. Reporting rules specific to QROFs and rural QOZBs are reserved for future guidance.

QOF certification and revocation for inadvertent self-certifications

An eligible corporation or partnership would become a QOF on the effective date identified in its self-certification. The entity must timely file Form 8996 for its first taxable year as a QOF, affirm that it is organized to invest in QOZ property, and identify its first taxable year and first month of QOF status. If no first month is specified, certification generally would begin in the first month of the

taxable year. An investment made before the first effective month would be nonqualifying, and any purported deferral election for that investment would be invalid.

If certification begins after the first month of the taxable year, the QOF's initial six-month testing period would consist of the first six months during which the entity is both within that taxable year and certified as a QOF. If certification begins in the seventh month or later of a 12-month taxable year, the 90% investment standard would be tested only on the final day of that taxable year.

A self-certification is generally irrevocable. An entity could obtain the IRS's consent to revoke an inadvertent self-certification only if no qualifying investment in the QOF was made. The procedure for requesting consent would be prescribed in forms, instructions, or other published IRS guidance. An entity obtaining revocation could not self-certify as a QOF in the future, nor could any other entity use the revoking entity's TIN to self-certify as a QOF.

Voluntary decertification procedures and consequences

A QOF may voluntarily decertify its QOF status, including where it cannot revoke an inadvertent self-certification. To voluntarily decertify, the QOF must maintain contemporaneous written documentation of its decision, which indicates its final month of QOF status, and it must file a final Form 8996 by the due date, including extensions, for its federal tax return for the decertification year. Decertification would become effective on the last day of the identified month. Without the required contemporaneous documentation, the decertification would be invalid, and the entity would remain subject to the QOF rules.

The QOF must also notify every investor holding a qualifying or nonqualifying investment in the QOF of its voluntary decertification within 15 days or an earlier date agreed by the parties. The notice must provide information needed to report any inclusion event and, if applicable, state that the section 1400Z-2(c) election is no longer available. The notice must be in writing but may be furnished in any reasonable manner. Critically, this 15-day notice is a separate obligation from the investor statement due the following March 1 under section 6039K(c); satisfying one does not satisfy the other.

Voluntary decertification would constitute an inclusion event for each QOF owner's entire qualifying investment. An investor may nevertheless continue deferring the resulting gain by timely reinvesting it in a different QOF and satisfying the requirements for a new deferral election. However, the section 1400Z-2(c) fair market value basis election is lost for the original QOF investment upon decertification, and reinvesting in a new QOF does not carry that election over.

Voluntary decertification may serve as a practical exit in a limited number of situations. For example, if there is a change in the QOF's business plan, such as where newly identified pipeline deals lie outside of QOZs, decertification would allow the entity to operate as a conventional fund rather than as a QOF. It may also be the appropriate remedy for an inadvertent self-certification that cannot be unwound through revocation (e.g., entity inadvertently self-certified but a qualifying investment has been made, so the revocation route is unavailable).

QOZ business property testing

For tangible property owned or leased by a QOF or QOZB, "substantially all" of the property's use must occur within a QOZ during "substantially all" of the relevant entity's holding period. The Proposed Regulations clarify that the holding period is determined separately for each QOF or QOZB based on the period during which that entity owns or leases the property. For this purpose, "substantially all" of the holding period means at least 90%. The property satisfies the use requirement only if at least 70% of its use occurs within a QOZ. The Proposed Regulations do not clarify how the holding period is measured (e.g., days, weeks or months). Accordingly, on each applicable testing date, the property must have satisfied the 70% QOZ use requirement during at least 90% of the period in which the relevant QOF or QOZB owned or leased it.

A QOF would apply this test on its semi-annual testing dates using its own holding period for the property. A QOZB would apply the 70% use test on the last day of the first six-month period of its own taxable year and on the final day of that taxable year. Thus, a QOZB's testing dates would be determined by its own taxable year, rather than the taxable year or testing dates of an investing QOF. Where the QOF and QOZB have different taxable years, there is an existing safe harbor that generally permits the QOF to test QOZB status by reference to the QOZB's latest taxable year ending on or before the relevant QOF testing date. Sponsors should nevertheless ensure that governing documents require timely delivery of the information and attestations needed for the QOF's own reporting and compliance obligations.

Information returns for QOFs

Every QOF would be required to file Form 8996, or a successor form, annually by the due date, including extensions, for its federal tax return. The return would contain information regarding the QOF, each applicable QOZB, and each reportable investor experiencing a disposition event during the relevant calendar year. Investor-level information is reported on a calendar-year basis (i.e., the calendar year in which the QOF's taxable year began). Fiscal-year QOFs should therefore expect to track dispositions on a period that does not match their return year, and Treasury has specifically asked for comments on whether this creates undue burden.

Generally, a disposition event would include any inclusion event under the QOZ rules. Failure to timely file a complete and correct Form 8996 would be subject to the QOF-specific penalty under section 6726.

Information regarding the QOF. Form 8996 would report the QOF's identifying information, entity classification, organizational purpose, calculation of the 90% investment standard, any related section 1400Z-2(f)(1) penalty, and the approximate average monthly number of full-time equivalent employees.

For each census tract in which the QOF directly owns or leases QOZ business property, the form also would report:

- The physical address of the QOF's business activity
- The applicable North American Industry Classification System ("NAICS") code
- The value of directly owned and leased QOZ business property
- The value of directly owned and leased real property
- The total number of residential units
- The approximate average monthly number of full-time equivalent employees whose primary work location is in the tract
- The first acquisition or lease date for QOZ business property
- Whether property is being substantially improved and, if so, the date on which the improvement began

The QOF also would identify the valuation method used and provide any applicable voluntary-decertification information.

Information regarding applicable QOZBs. For each applicable QOZB in which the QOF holds an interest, Form 8996 would report:

- The QOZB's identifying information
- The QOF's ownership percentage
- The value of the QOF's investment
- The QOZB's total tangible property
- Whether the QOF received a compliance or cure-period attestation from the QOZB

The QOF also would report tract-level information concerning the QOZB's business addresses, NAICS codes, property values, real property, residential units, employees, acquisition dates, substantial improvement activity, use of a working capital safe harbor, and valuation method.

Information regarding reportable investors. For each reportable investor experiencing a disposition event, Form 8996 generally would report:

- The investor's name, address, and TIN
- The relevant acquisition and disposition dates
- The cash and fair market value of property originally contributed to the QOF
- The number of interests held immediately before the event
- The number of interests disposed of
- Whether the disposition event resulted from voluntary decertification

A reportable investor includes a holder of a QOF interest and, in specified circumstances, a broker holding an interest for an unidentified customer.

Required furnished statements

The Proposed Regulations would create a two-stage information flow. First, QOZBs would provide the information needed by their QOF investors. Second, QOFs would provide investor-specific information to reportable investors experiencing disposition events. Failure to furnish required statements is subject to the payee-statement penalty under section 6722, subject to reasonable cause relief.

Statements furnished by QOZBs. Each applicable QOZB would furnish to every relevant QOF an annual written statement, signed under penalty of perjury, containing the QOZB information needed to complete Form 8996. The statement would include identifying and ownership information, property values, census-tract information, real property, residential units, employees, acquisition dates, substantial improvement activity, use of a working capital safe harbor, and the QOZB's valuation method.

The QOZB also must attest that it satisfies the applicable:

- 70% tangible property standard
- Gross-income requirement
- Intangible-property requirement
- Limitation on nonqualified financial property
- Prohibited-business restrictions

If the QOZB cannot provide that compliance attestation, it must attest that it is using the applicable cure period and it must identify the month in which the relevant QOZ stock or partnership interest ceased to qualify. The statement generally would be due by the first day of the second month following the close of the QOZB's taxable year. A calendar-year QOZB therefore would have a February 1 deadline. The statement could be furnished by mail or, with the QOF's written consent, electronically.

While the QOZB's information statement includes a penalty-of-perjury attestation that places the truthfulness burden on the QOZB, the QOF remains responsible for its own accurate Form 8996 and, more fundamentally, its 90% investment standard, and therefore should consider implementing procedures to review information received from QOZBs. Those procedures may support a reasonable-cause position if the QOF later discovers that information furnished by the QOZB was late or inaccurate, although reasonable cause depends on all relevant facts and circumstances.

Statements furnished by QOFs. A QOF would furnish each reportable investor experiencing a disposition event with a written statement containing the investor-specific information reported on Form 8996, QOF contact information, and a legend explaining that the information is being reported to the IRS. If applicable, the statement also must explain that the investor's section 1400Z-2(c) election is no longer available.

The statement generally would be due by March 1 following the calendar year of the disposition event. A statement furnished to a broker holding QOF interests for unidentified customers generally would be due by January 15. Statements could be delivered by mail or electronically in accordance with applicable IRS procedures.

Frequently asked questions

Q1: When would the Proposed Regulations become effective?

The Proposed Regulations generally would not apply until final regulations are published in the Federal Register. The certification, voluntary decertification, and QOZ business property provisions generally are proposed to apply to taxable years ending on or after the date final regulations are published. The information-return and statement-furnishing provisions would generally apply to returns or statements required to be filed or furnished on or after that publication date. Comments on the Proposed Regulations are due by October 16, 2026.

Q2: What penalties could a QOF or QOZB be exposed to if it misses a filing deadline?

A late or incorrect Form 8996 triggers a USD 500 per-day penalty under new section 6726, capped at USD 10,000 per return or USD 50,000 for a QOF with more than USD 10 million of gross assets at year end. The preamble illustrates the point with a return filed 15 days late, producing a USD 7,500 penalty. Intentional disregard raises the daily amount to USD 2,500 and the caps to USD 50,000 and USD 250,000. A missed or incorrect investor statement or QOZB statement is instead subject to the section 6722 payee statement penalty. Reasonable cause relief under section 6724 applies to both.

Although a QOF may depend on QOZB statements to complete Form 8996, the QOF remains directly responsible for its own filing and may be subject to the section 6726 penalty if its return is late or inaccurate. Sponsors should consider adding express covenants in QOZB governing documents requiring delivery of the statement and the penalties of perjury attestation by a contractual date that precedes February 1, together with an indemnity for penalties caused by late or inaccurate delivery. Although there is a timing buffer (the QOZB statement is due roughly 1.5 months before Form 8996) and reasonable cause relief may be available, the QOF is not automatically exonerated from its own reporting obligations and deadlines simply because the QOZB was tardy in providing its information.

Q3: What should a QOF sponsor start thinking about and prepare for?

Although these rules are still in proposed form and would not apply until final regulations are published, QOF sponsors should begin coordinating with their accounting team (internal or outside CPA firm) now. The new information reporting regime is extensive and carries meaningful penalties, including a USD 500 per-day penalty under section 6726 for a late or incorrect Form 8996. Sponsors should begin evaluating now whether existing accounting, fund administration, investor reporting, and compliance processes can support the expanded reporting requirements. In particular, sponsors should prepare data collection and review processes in advance in respect of the additional QOF-, QOZB-, and investor-level information that will be required on the revised Form 8996.

Because a QOF's reporting obligations will depend heavily on information received from underlying QOZBs, sponsors should review their QOZB documentation and governance early. If the sponsor controls the QOZB, it should confirm that its accounting function is prepared to generate the required statement and penalties of perjury attestation on a timely basis. If the sponsor does not control the QOZB (e.g., it is a JV with another unrelated partner), the sponsor should confirm that the relevant parties understand the new reporting obligations and applicable furnishing deadlines, including the February 1 deadline for calendar-year QOZBs.

Related content

The QOZ rules were originally established under the Tax Cuts and Jobs Act (TCJA) and were made permanent through the OBBBA. The IRS previously released Notice 2026-40, which provides guidance regarding certain transitions from the TCJA QOZ rules to the OBBBA QOZ rules. For more details about Notice 2026-40, please see our article "[United States: Notice 2026-40 Provides Interim QOZ Guidance](#)."

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