



TaxNewsFlash

United States



No. 2020-381
June 12, 2020

Notice 2020-49: Postponed time-sensitive actions, New Markets Tax Credits (COVID-19)

The IRS today released an advance version of Notice 2020-49 regarding the New Markets Tax Credit (NMTC) and specifically to extend the time for taxpayers to make certain time-sensitive actions—relief provided in response to the coronavirus (COVID-19) pandemic.

[Notice 2020-49](#) [PDF 78 KB] provides relief to a community development entity (CDE) or a qualified active low-income community business (QALICB) for certain specified time-sensitive acts that are due to be performed between April 1, 2020, and December 31, 2020, under the section 45D NMTC requirements and regulations.

Read a related IRS release—[IR-2020-120](#) (June 12, 2020).

Background

An emergency declaration issued by the president in response to the COVID-19 pandemic instructed the Treasury Secretary to provide relief from tax deadlines, as appropriate.

Accordingly, the IRS today released Notice 2020-49 to allow certain specified time-sensitive actions by a CDE or QALICB, which are due to be performed on or after April 1, 2020, and before December 31, 2020, to be treated as timely satisfied if performed by December 31, 2020.

Notice 2020-49

Time limit for making investments

For purposes of Reg. section 1.45D-1(c)(5)(iv), if the last day of the 12-month period during which a CDE must invest the cash it receives in a qualified low-income community investment (QLICI) would fall on or after April 1, 2020, and before December 31, 2020, the last day of the 12-month period is postponed to December 31, 2020.

Accordingly, the 12-month investment requirement is treated as timely satisfied if the cash is so invested by December 31, 2020.

Time limit for making reinvestments

For purposes of Reg. section 1.45D-1(d)(2)(i), if the last day of the 12-month period during which a CDE must reinvest in a QLICI amounts it receives, in payment of, or for capital, equity or principal with respect to a QLICI, would fall on or after April 1, 2020, and before December 31, 2020, the last day of the 12-month period is postponed to December 31, 2020.

Accordingly, the 12-month reinvestment requirement is treated as timely satisfied to the extent that the amounts are reinvested in a QLICI by December 31, 2020.

Time limit for expending amounts for construction of real property

Reg. section 1.45D-1(d)(4)(i)(E) provides that with respect to any tax year, a QALICB must have less than 5% of the average of the aggregate unadjusted basis of its property that is attributable to nonqualified financial property (NQFP).

Reg. section 1.45D-1(d)(4)(i)(E)(1)(i) provides that NQFP does not include reasonable amounts of working capital.

Reg. section 1.45D-1(d)(4)(i)(E) (2) provides that the proceeds of a capital or equity investment or loan by a CDE that will be expended for construction of real property within 12 months after the date the investment or loan is made are treated as a reasonable amount of working capital.

Thus, for purposes of Reg. section 1.45D-1(d)(4)(i)(E)(1) and (2), if the last day of the 12-month period for a QALICB to expend the proceeds of a capital or equity investment or loan by a CDE for construction of real property would fall on or after April 1, 2020, and before December 31, 2020, the last day of the 12-month period is postponed to December 31, 2020.

Accordingly, the proceeds are treated as a reasonable amount of working capital of the QALICB and the 12-month requirement is treated as timely satisfied if the proceeds are so expended by December 31, 2020.

KPMG observation

By extending certain NMTC deadlines until the end of 2020, the IRS has provided much needed relief to investors, CDEs, and QALICBs to be able to satisfy NMTC requirements and complete NMTC transactions during the current COVID crisis.

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